CONCH VENTURE
海螺环保

2021 ANNUAL REPORT

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

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

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

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

Contents

DEFINITIONS

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

Anhui Conch Environment:	安徽海螺環保集團有限公司 (Anhui Conch Environment Group Co., Ltd.*)
Articles of Association:	the articles of association of the Company
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
Chongqing Environmental:	重慶海創環保科技有限責任公司 (Chongqing Conch Venture Environmental Protection Technology Co., Ltd.*)
CNBM:	中國建材股份有限公司 (China National Building Material Company Limited*), a company listed on the Stock Exchange (stock code: 3323), together with its subsidiaries and associates, CNBM Group
Company/Conch Environment/ we/us:	China Conch Environment Protection Holdings Limited (中國海螺環保控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 587)
Conch Cement	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*), a joint stock company whose shares are listed on Shanghai Stock Exchange (stock code: 600585) and on the Main Board of the Stock Exchange (stock code: 914)
Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and Conch Profiles)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 000619)

DEFINITIONS

Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), an exempted company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 586); the Company was wholly owned by Conch Venture before the Listing, and immediately upon completion of the Listing by way of introduction and spin-off by way of distribution in specie, Conch Venture no longer retained any interest in the Company
connected person(s):	has the meaning ascribed thereto under the Listing Rules
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
Group:	the Company and its subsidiaries
Haizhong Environmental:	安徽海中環保有限責任公司 (Anhui Haizhong Environmental Company Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of our Company
HKD:	the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Listing:	the listing of the Shares on the Main Board of the Stock Exchange
Listing Date:	30 March 2022, on which the Shares were listed and from which dealings therein are permitted to take place on the Stock Exchange
Listing Document:	the listing document of the Company issued in connection with the Listing dated 22 March 2022
Listing Rules:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
Management:	the operating management team of the Company
PRC:	the People's Republic of China, for the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	from 1 January 2021 to 31 December 2021
RMB:	the lawful currency of the PRC
SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co., Ltd.*)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
Shaanxi Bangda:	陝西邦達環保工程有限公司 (Shaanxi Bangda Environmental Engineering Company Limited*)
Shaanxi Oufeide:	陝西歐菲德環保科技有限公司 (Shaanxi Oufeide Environmental Protection Technology Co., Ltd.*)
Shanghai Nengyuan Environmental:	上海能遠環境科技發展有限公司 (Shanghai Nengyuan Environmental Technology Development Company Limited*)
Share(s):	ordinary share(s) of HKD0.01 each in the share capital of the Company
Shareholder(s):	the shareholder(s) of the Company
Sinochem International:	中化國際(控股)股份有限公司 (Sinochem International Holdings Limited*), a company listed on Shanghai Stock Exchange (stock code: 600500)
Splendor Court:	Splendor Court Holdings Limited
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Strategy, Sustainability and Risk Management Committee:	the strategy, sustainability and risk management committee of the Board
WH Environmental Protection:	蕪湖海創環保科技有限責任公司 (Wuhu Conch Venture Environmental Protection Technology Co., Ltd.*)
Yaobai Environmental:	西安堯柏環保科技工程有限公司 (Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd.*)
Yaobai Special Cement:	堯柏特種水泥集團有限公司 (Yaobai Special Cement Co., Ltd.*)

* For identification purpose only

1. CORPORATE INFORMATION

(I)	**REGISTERED CHINESE NAME OF THE COMPANY:**	中國海螺環保控股有限公司
	CHINESE ABBREVIATION:	海螺環保
	REGISTERED ENGLISH NAME OF THE COMPANY:	CHINA CONCH ENVIRONMENT PROTECTION HOLDINGS LIMITED
	ENGLISH ABBREVIATION:	CONCH ENVIRO
(II)	**EXECUTIVE DIRECTORS:**	Mr. Guo Jingbin *(Chairman of the Board)* Mr. Shu Mao *(General Manager)* Mr. Wan Changbao (appointed on 22 April 2022) Mr. Zhang Keke
(III)	**NON-EXECUTIVE DIRECTORS:**	Mr. Ji Qinying Mr. Xiao Jiaxiang Mr. Li Daming (resigned on 22 April 2022)
(IV)	**INDEPENDENT NON-EXECUTIVE DIRECTORS:**	Mr. Hao Jiming Mr. Cai Hongping Mr. Dai Xiaohu
(V)	**AUDIT COMMITTEE:**	Mr. Cai Hongping *(Chairman)* Mr. Hao Jiming Mr. Dai Xiaohu
(VI)	**REMUNERATION AND NOMINATION COMMITTEE:**	Mr. Dai Xiaohu *(Chairman)* Mr. Guo Jingbin Mr. Hao Jiming Mr. Cai Hongping
(VII)	**STRATEGY, SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE:**	Mr. Guo Jingbin *(Chairman)* Mr. Dai Xiaohu Mr. Xiao Jiaxiang Mr. Shu Mao Mr. Zhang Keke
(VIII)	**COMPANY SECRETARY:**	Mr. Shu Mao

1. CORPORATE INFORMATION

(IX)	**AUTHORISED REPRESENTATIVES:**	Mr. Guo Jingbin Mr. Shu Mao
(X)	**REGISTERED OFFICE IN THE CAYMAN ISLANDS**	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681,Grand Cayman KY1-1111, Cayman Islands
(XI)	**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC**	Wuhu Conch International Conference Center No. 1005, South Jiuhua Road Yijiang District, Wuhu City Anhui Province PRC
(XII)	**POSTAL CODE:**	241070
(XIII)	**EMAIL ADDRESS OF THE COMPANY:**	conchenviro@conchventure.com
(XIV)	**WEBSITE OF THE COMPANY:**	http://www.conchenviro.com
(XV)	**PRINCIPAL PLACE OF BUSINESS IN HONG KONG:**	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
(XVI)	**HONG KONG LEGAL ADVISOR:**	Clifford Chance
(XVII)	**INTERNATIONAL AUDITOR:**	KPMG Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
(XVIII)	**COMPLIANCE ADVISOR:**	FUTEC Financial Limited
(XIX)	**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS:**	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681,Grand Cayman KY1-1111, Cayman Islands
(XX)	**HONG KONG SHARE REGISTRAR:**	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
(XXI)	**STOCK CODE:**	00587

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2021)

1. Operation results

Unit: RMB'000

Item	2021	2020	2019	2018
Revenue	**1,698,153**	1,143,991	737,772	396,656
Profit before taxation	**697,713**	574,160	432,951	286,624
Profit for the year	**646,577**	557,994	426,662	280,917
Net profit attributable to the equity Shareholders of the Company	**578,607**	468,986	353,314	233,551

2. Assets and liabilities

Unit: RMB'000

Item	2021	2020	2019	2018
Total assets	**7,510,221**	4,888,112	2,431,472	1,341,204
Total liabilities	**4,420,301**	3,086,475	1,065,604	522,513
Equity attributable to the equity Shareholders of the Company	**2,420,593**	1,053,244	1,035,746	650,772

2022

The Group was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 587.HK) on 30 March 2022

2021

The Group submitted application to the Hong Kong Stock Exchange for the listing by way of introduction of its shares

2020

Acquisition of 70% equity interest in Shaanxi Bangda to expand its business to oil sludge treatment business; in-depth cooperation with Sinochem International in the field of fly ash treatment business; entering into cooperation agreement with Shanghai Nengyuan Environmental to further promote the contaminated soil treatment business

2019

Establishment of Haizhong Environmental, a joint venture, with CNBM to expand the business market of cement kiln co-treatment of industrial solid and hazardous waste across China

CONCH
ENVIRO

發展歷程

DEVELOPMENT HISTORY

2013

Listing of the shares of Conch Venture in Hong Kong (stock code: 586.HK), the principal businesses of which at the time of listing included the provision of residual heat power generation solutions, waste incineration, new building materials and port logistics

2015

Conch Venture made capital injection in Yaobai Environmental and commenced the business of cement kiln co-treatment of industrial solid and hazardous waste treatment

2016

Establishment of WH Environmental Protection, and establishment of the first wholly-owned cement kiln co-treatment of industrial solid and hazardous waste project

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)

00587

4. BUSINESS REVIEW AND OUTLOOK

(1) MACRO ENVIRONMENT

Since 2021, due to the recurrent outbreaks of COVID-19, the domestic and international economic situation has been complex and volatile, and the global economy as a whole has been slow to recover. Under the implementation of national macro policies, the epidemic prevention and control has been generally stable, innovation-driven development has continued to improve, and the domestic economy has shown a steady recovery with GDP growth of approximately 8.1% over the previous year, laying a solid foundation for the realization of the national "14th Five-Year" Plan.

In 2021, the Group implemented separate trial operation and initiated spin-off and the Listing, and was successfully listed on the Main Board of the Stock Exchange on 30 March 2022, embarking on a new journey to link industry and capital.

2021 is a milestone year for the Group. The Group strictly adhered to the national policy on environmental protection, upheld the principles of environmental protection and cost efficiency, focused on the comprehensive treatment and utilization of industrial solid and hazardous waste. While reinforcing epidemic prevention and control measures, the Group actively deployed new projects, strengthened market development externally and paid attention to management improvement internally, and delivered a good performance.

During the Reporting Period, the Group recorded a net profit attributable to equity Shareholders of the Company of RMB579 million, representing an increase of 23.37% over the same period last year.

(2) BUSINESS REVIEW

In 2021, under the leadership of the Board, the Group carried out the development plan of "one main line with sidelines bringing new driving forces" and took full advantages of capital, technology and strategic layout. Having main line on the cement kiln co-processing treatment solutions and sidelines of fly ash washing, oil sludge and contaminated soil treatment, the Group promoted project expansion, optimized and improved management system, strengthened safety and risk control, implemented technical transformation measures, enhanced ability to dominate the market, facilitated industry exchanges, and showed a generally positive development momentum.

During the Reporting Period, the Group secured a total of 99 environmental protection projects in 22 provinces, municipalities and autonomous regions nationwide, which included 44 general hazardous waste projects, 24 fly ash washing projects, 8 oil sludge treatment projects and 23 industrial solid waste projects, with an annual treatment capacity of approximately 10.51 million tonnes of solid and hazardous waste.

4. BUSINESS REVIEW AND OUTLOOK

Industrial hazardous waste treatment

1) Project expansion

Since 2021, the Group has taken full advantages of its industry resources, steadily promoted cooperation with companies in the industry of cement kiln co-processing treatment, intensified technical exchanges in the environmental protection field, carried out research and development of new environmental protection technologies and transformation of scientific research results, and meanwhile adhered to the market expansion strategy of "business linkage", actively expanded its fly ash washing and oil sludge treatment business into the area where it operates cement kiln co-processing treatment and sought high quality project carriers nationwide, so as to bring about mutual complement of advantages with cement kiln co-processing treatment. During the year, the Company completed the acquisition of projects in Huabin, Shandong Province and Nanjing, Jiangsu Province, and continued to expand its environmental protection business capacity.

During the Reporting Period, the Group secured 18 new industrial hazardous waste treatment projects, with a production capacity of 1.82 million tonnes/year, including 3 general hazardous waste projects in Ganzhou, Jiangxi Province, Nanjing, Jiangsu Province and Yongdeng, Gansu Province, with a production capacity of 0.30 million tonnes/year; 12 fly ash washing projects in Chaohu, Anhui Province, Qingzhen, Guizhou Province, Changjiang, Hainan Province, Yangchun, Guangdong Province, Ganzhou, Jiangxi Province, Yongdeng, Gansu Province, Changzhi, Shanxi Province, Guiding, Guizhou Province, Beiliu, Guangxi Region, Tongren, Guizhou Province, Yiyang, Henan Province and Sanming, Fujian Province, with a production capacity of 1.20 million tonnes/year; 3 oil sludge treatment projects in Binzhou, Shandong Province, Yan'an, Shaanxi Province, and Changjiang, Hainan Province, with a production capacity of 0.32 million tonnes/year.

2) Project operation

In 2021, the Group duly carried out epidemic prevention and control measures, and at the same time actively promoted technical improvements to enhance its treatment efficiency, shorten the treatment duration and increase the treatment volume. At the same time, adhering to the operating principle of cost-efficiency, the Group continuously optimized treatment process, enhanced production operation efficiency, reduced production costs, improved marketing management system, introduced incentive marketing policies and implemented accountability system. The number of customers increased significantly during the Reporting Period.

4. BUSINESS REVIEW AND OUTLOOK

Industrial solid waste treatment

1) **Project expansion**

Since 2021, the Group has been making full use of high quality social resources to actively promote the implementation of solid waste projects. Apart from major cement enterprises such as Conch Cement and CNBM, the Group also established cooperation relationship with China Resources Cement Holdings Limited during the year and acquired a solid waste treatment project in Changzhi, Shanxi Province, which was also the Group's first project in Shanxi Province, and expanded its geographical footprints. During the Reporting Period, the Group secured 4 new industrial solid waste treatment projects, with a production capacity of 0.40 million tonnes/year, in Chaohu, Anhui Province, Guiding, Guizhou Province, Changzhi, Shanxi Province and Jiande, Zhejiang Province.

2) **Project operation**

In 2021, on the one hand, the Group continued to intensify technical innovation and implement various technical transformation measures to enhance treatment volume; on the other hand, the Group actively expanded the market of contaminated soil and seized the opportunity to obtain contaminated soil treatment franchise from a number of waste producing enterprises, which greatly enhanced the input volume and effectively improved the operating efficiency of the Company.

During the Reporting Period, the total treatment volume of industrial hazardous and solid waste of the Group was approximately 2,229,600 tonnes, representing a year-on-year increase of 57%. Among which, approximately 622,800 tonnes were general hazardous waste, approximately 51,000 tonnes were fly ash, approximately 111,000 tonnes were oil sludge and approximately 1,444,700 tonnes were industrial solid waste.

4. BUSINESS REVIEW AND OUTLOOK

As at 31 December 2021, details of general hazardous waste treatment projects of the Group are set out in the following table:

No.	Status of Construction	Project Location	Designed Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Fuping, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016
2		Qian County, Shaanxi Province	70,000 tonnes/year	63,600 tonnes/year	April 2017
3		Qianyang, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	October 2018
4		Tongchuan, Shaanxi Province	100,000 tonnes/year	81,500 tonnes/year	August 2019
5		Wuhu, Anhui Province	200,000 tonnes/year	130,000 tonnes/year	December 2017
6		Yiyang, Jiangxi Province	200,000 tonnes/year	170,000 tonnes/year	May 2018
7		Xingye, Guangxi Province	200,000 tonnes/year	161,500 tonnes/year	August 2018
8		Suzhou, Anhui Province	200,000 tonnes/year	125,000 tonnes/year	August 2018
9		Zhong County, Chongqing Municipality	200,000 tonnes/year	90,000 tonnes/year	June 2019
10		Wenshan, Yunnan Province	100,000 tonnes/year	66,000 tonnes/year	August 2019
11		Sishui, Shandong Province	100,000 tonnes/year	14,900 tonnes/year	January 2020
12		Qiyang, Hunan Province	100,000 tonnes/year	69,500 tonnes/year	January 2020
13		Yangchun, Guangdong Province	100,000 tonnes/year	65,300 tonnes/year	August 2020
14		Qingzhen, Guizhou Province	100,000 tonnes/year	100,000 tonnes/year	September 2019
15		Long'an, Guangxi Province	100,000 tonnes/year	70,000 tonnes/year	March 2021
16		Linxiang, Hunan Province	100,000 tonnes/year	88,500 tonnes/year	January 2021
17		Sanming, Fujian Province	100,000 tonnes/year	20,500 tonnes/year	August 2019
18		Yixing, Jiangsu Province	100,000 tonnes/year	100,000 tonnes/year	December 2019
19		Chongzuo, Guangxi Province	100,000 tonnes/year	85,000 tonnes/year	March 2021
20		Luoyang, Henan Province	100,000 tonnes/year	72,000 tonnes/year	December 2020

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Designed Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
21	In operation	Jiyuan, Henan Province	100,000 tonnes/year	50,000 tonnes/year	December 2020
22		Dezhou, Shandong Province	100,000 tonnes/year	75,000 tonnes/year	December 2020
23		Tai'an, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	December 2020
24		Wuhu, Anhui Province	16,500 tonnes/year	16,500 tonnes/year	January 2021
25		Ninghai, Zhejiang Province	100,000 tonnes/year	100,000 tonnes/year	May 2021
26		Guilin, Guangxi Province	100,000 tonnes/year	60,000 tonnes/year	July 2021
27		Dengfeng, Henan Province	100,000 tonnes/year	80,000 tonnes/year	July 2021
Subtotal			**3,086,500 tonnes/year**	**2,254,800 tonnes/year**	
1	Under construction	Ningguo, Anhui Province	100,000 tonnes/year	N/A	January 2022
2		Pingliang, Gansu Province	130,000 tonnes/year	N/A	July 2022
3		Nanjing, Jiangsu Province	100,000 tonnes/year	N/A	January 2022
4		Hulunbuir, Inner Mongolia	50,000 tonnes/year	N/A	May 2022
5		Arong Qi, Inner Mongolia	100,000 tonnes/year	N/A	June 2022
6		Jiayuguan, Gansu Province	200,000 tonnes/year	N/A	June 2022
7		Fuzhou, Jiangxi Province	100,000 tonnes/year	N/A	June 2022
8		Fuyang, Zhejiang Province	200,000 tonnes/year	N/A	June 2022
Subtotal			**980,000 tonnes/year**		

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Designed Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	To be constructed (Note)	Ganzhou, Jiangxi Province	100,000 tonnes/year	N/A	/
2		Luoding, Guangdong Province	80,000 tonnes/year	N/A	
3		Yunfu, Guangdong Province	100,000 tonnes/year	N/A	
4		Baoshan, Yunnan Province	100,000 tonnes/year	N/A	
5		Qingyuan, Guangdong Province	100,000 tonnes/year	N/A	
6		Dazhou, Sichuan Province	200,000 tonnes/year	N/A	
7		Ordos, Inner Mongolia	100,000 tonnes/year	N/A	
8		Longkou, Shandong Province	200,000 tonnes/year	N/A	
9		Yongdeng, Gansu Province	100,000 tonnes/year	N/A	
Subtotal			**1,080,000 tonnes/ year**		
Total			**5,146,500 tonnes/ year**	**2,254,800 tonnes/ year**	

4. BUSINESS REVIEW AND OUTLOOK

As at 31 December 2021, details of fly ash washing projects of the Group are set out in the following table:

No.	Status of Construction	Project Location	Designed Treatment Capacity	Actual/Expected Completion Date
1	In operation	Wuhu, Anhui Province	100,000 tonnes/year	December 2020
2	Under construction	Yiyang, Hunan Province	50,000 tonnes/year	March 2022
3		Yiyang, Jiangxi Province	100,000 tonnes/year	March 2022
4		Quanjiao, Anhui Province	100,000 tonnes/year	April 2022
5		Qian County, Shaanxi Province	100,000 tonnes/year	July 2022
6	To be constructed (Note)	Chaohu, Anhui Province	100,000 tonnes/year	/
7		Jining, Shandong Province	100,000 tonnes/year	
8		Xin'an, Henan Province	50,000 tonnes/year	
9		Rizhao, Shandong Province	100,000 tonnes/year	
10		Qingzhen, Guizhou Province	100,000 tonnes/year	
11		Changjiang, Hainan Province	100,000 tonnes/year	
12		Yangchun, Guangdong Province	50,000 tonnes/year	
13		Ganzhou, Jiangxi Province	100,000 tonnes/year	
14		Xinhua, Hunan Province	50,000 tonnes/year	
15		Dengzhou, Henan Province	50,000 tonnes/year	
16		Anyang, Henan Province	100,000 tonnes/year	
17		Longyan, Fujian Province	100,000 tonnes/year	
18		Changzhi, Shanxi Province	50,000 tonnes/year	
19		Guiding, Guizhou Province	50,000 tonnes/year	
20		Yongdeng, Gansu Province	50,000 tonnes/year	
21		Beiliu, Guangxi Province	100,000 tonnes/year	
22		Tongren, Guizhou Province	100,000 tonnes/year	
23		Yiyang, Henan Province	100,000 tonnes/year	
24		Sanming, Fujian Province	300,000 tonnes/year	
Total			**2,200,000 tonnes/year**	

4. BUSINESS REVIEW AND OUTLOOK

As at 31 December 2021, details of oil sludge treatment projects of the Group are set out in the following table:

<table>
<tr><th>No.</th><th>Status of Construction</th><th>Project Location</th><th>Designed Treatment Capacity</th><th>Hazardous Waste Qualification</th><th>Actual/Expected Completion Date</th></tr>
<tr><td>1</td><td rowspan="2">In operation</td><td>Yulin, Shaanxi Province (Bangda)</td><td>100,000 tonnes/year</td><td>100,000 tonnes/year</td><td>May 2020 (Acquisition)</td></tr>
<tr><td>2</td><td>Binzhou (Huabin), Shandong Province</td><td>100,000 tonnes/year</td><td>100,000 tonnes/year</td><td>May 2021 (Acquisition)</td></tr>
<tr><td>3</td><td rowspan="3">Under construction</td><td>Dongying, Shandong Province</td><td>160,000 tonnes/year</td><td>N/A</td><td>January 2022</td></tr>
<tr><td>4</td><td>Jinzhou, Liaoning Province</td><td>Oil sludge treatment: 20,000 tonnes/year Incineration: 42,000 tonnes/year</td><td>N/A</td><td>May 2022</td></tr>
<tr><td>5</td><td>Yulin, Shaanxi Province (Bangda Phase 2)</td><td>100,000 tonnes/year</td><td>N/A</td><td>July 2022</td></tr>
<tr><td>6</td><td rowspan="4">To be constructed (Note)</td><td>Leizhou, Guangdong Province</td><td>Oil sludge treatment: 150,000 tonnes/year Comprehensive utilization of resources: 50,000 tonnes/year</td><td>N/A</td><td rowspan="4">/</td></tr>
<tr><td>7</td><td>Yan'an, Shaanxi Province</td><td>170,000 tonnes/year</td><td>N/A</td></tr>
<tr><td>8</td><td>Changjiang, Hainan Province</td><td>50,000 tonnes/year</td><td>N/A</td></tr>
<tr><td>9</td><td>Qingyang, Gansu Province</td><td>80,000 tonnes/year</td><td>N/A</td></tr>
<tr><td colspan="3">Total</td><td>1,022,000 tonnes/year</td><td>200,000 tonnes/year</td><td></td></tr>
</table>

4. BUSINESS REVIEW AND OUTLOOK

As at 31 December 2021, details of industrial solid waste treatment projects of the Group are set out in the following table:

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

Note: The expected completion date of the projects to be constructed is subject to various approvals from the relevant government authorities, which are beyond the Group's control and therefore are not available.

4. BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, the Group had reached a treatment capacity of approximately 10.51 million tonnes/year of solid and hazardous waste, the details of which are set out in the following table:

Unit: 10,000 tonnes/year

Category	General Hazardous Waste			Fly Ash Washing			Oil Sludge Treatment			Solid Waste		
Status	In operation	Under construction	To be constructed	In operation	Under construction	To be constructed	In operation	Under construction	To be constructed	In operation	Under construction	To be constructed
Scale	308.65	98	108	10	35	175	20	32.2	50	97	31.6	85.15

(3) FUTURE PLAN AND OUTLOOK

As of the date of this report, the Group has achieved the target of contracted capacity of industrial solid and hazardous waste in the "2019-2023" development plan ahead of schedule, and is in the process of formulating a new five-year development plan for "2024-2028", aiming to achieve the ambitious target of 30 million tonnes/year of solid and hazardous waste treatment by 2028 to further consolidate its leading position in the industry. Among which, 10 million tonnes will be hazardous waste, 10 million tonnes will be solid waste (including sludge), 6 million tonnes will be fly ash, 3 million tonnes will be oil sludge, and the rest will be other emerging business.

In terms of macro policies, China is actively promoting the green transformation of the economy and society and upholding the strategic goal of "carbon peak and carbon neutrality". Looking ahead, the Group will keep pace with the environmental protection policy, progressively implement the new development plan, expand market externally, control costs internally, further reduce costs and increase efficiency, enhance the quality of operation, and strive to build China's number one and world's leading large-scale environmental protection group. To this end, the Group will focus its efforts on the following aspects:

Increase investment in research and development, promote the application of new technologies, and develop new markets in the environmental protection industry

The Group will focus on independent innovation, cooperate and exchange with well-known domestic experts in the field of environmental protection, promote in-depth integration of production, academia, research and application, explore new directions in the field of environmental protection, gradually improve the re-optimization of the existing cement kiln co-processing treatment technology, actively carry out research on dual carbon technology, do a good job in the exploration and application of new technologies such as sludge drying, solar panels and wind power blade recycling, plan in advance, make scientific deployment, accelerate the implementation of projects, continuously improve its profitability and create new momentum for business development.

4. BUSINESS REVIEW AND OUTLOOK

Pursue growth of both traditional and emerging businesses and further reinforce its position in the industry

The Group will adhere to the new round of development plan to continuously expand its business footprint, promote and strengthen inter-industry exchanges, identify policy direction in advance, optimize investment deployment and reinforce its leading position in the industry, so as to lead the healthy development of the industry.

In terms of the industrial hazardous waste treatment business, the first is to continue to strengthen strategic cooperation with top cement companies which possess abundant cement kiln resources, and on top of established long-term strategic cooperation relationship, launch co-processing treatment projects with other cement companies leveraging on its own industry experience and reputation; the second is to carry out merger and reorganization prudently and target treatment enterprises with clear asset structure and sound market network for high quality acquisition, to expand the range of hazardous waste treatment and improve market network coverage; the third is to continue to promote the expansion of fly ash and oil sludge projects and strategically fill the gap in the market to further enrich the layout of front-end treatment projects.

In terms of the industrial solid waste treatment and new business, the Group will expand its projects in contaminated soil and industrial sludge, and accelerate the deployment of sludge drying projects in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei and Sichuan-Chongqing regions to achieve economies of scale and provide new support for the Group's business growth.

4. BUSINESS REVIEW AND OUTLOOK

Enhance ability to dominate the market, implement technical transformation measures and cost control and increase the core competitiveness of the Company

For the general hazardous waste business, the first is to improve the daily operation and management mechanism, promote refined management of markets; the second is to strictly carry out inter-provincial transfer business, improve market layout, open up inter-provincial transfer channels, conduct scientific planning, do a good job in the overall coordination and sub-regional digestion of inter-provincial hazardous waste resources, make full use of the hazardous waste treatment capacity, and maximize operating efficiency; the third is to continue to strengthen the technical transformation measures at the production end, improve treatment technology and treatment efficiency, and secure the completion of the annual target beyond expectation.

For the fly as and oil sludge businesses, the first is to be committed to innovation and further enhance the feasibility and adaptability of the developed treatment technology to continue to meet the changing project needs and business scenarios; the second is to optimize and improve process flow, strengthen operational management, and continue to do a good job of equipment maintenance and transformation to reduce treatment costs and improve treatment efficiency.

For the industrial solid waste treatment business, the first is to conduct in-depth study on national policies in relation to environmental protection industry, investigate solid waste market, and ensure the scientificity and rationality of location and scale in project planning and layout; the second is to actively promote technical transformation of general solid waste projects to achieve full coverage of technical transformation during the year; the third is to continue to strengthen research and optimization of sludge drying technology to meet the demand for treatment of sludge with different moisture content, turn sludge into an alternative fuel for cement plants through drying technology, and strengthen the advantages of sludge drying technology in project applications; the fourth is to leverage the Company's platform resources to coordinate the overall expansion of the contaminated soil business, give full play to the Company's market service capabilities in sub-segments such as co-processing contaminated soil, and strive to increase input volume and reduce operating costs.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(I) RESULTS OF OPERATIONS

Item	2021 Amount (RMB'000)	2020 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	**1,698,153**	1,143,991	48.44%
Profit before taxation	**697,713**	574,160	21.52%
Profit for the year	**646,577**	557,994	15.88%
Net profit attributable to equity shareholders of the Company	**578,607**	468,986	23.37%

During the Reporting Period, the Group recorded a revenue of RMB1,698.15 million, representing a year-on-year increase of 48.44%. Profit before taxation amounted to RMB697.71 million, representing a year-on-year increase of 21.52%. Profit for the year amounted to RMB646.58 million, representing a year-on-year increase of 15.88%. Net profit attributable to equity shareholders of the Company amounted to RMB578.61 million, representing a year-on-year increase of 23.37%. During the year ended 31 December 2021, basic earnings per share amounted to RMB0.32, and diluted earnings per share amounted to RMB0.30.

1. Revenue by business stream

Item	2021 Amount (RMB'000)	2021 Percentage (%)	2020 Amount (RMB'000)	2020 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Industrial hazardous waste treatment services	**1,241,974**	**73.14**	834,122	72.91	48.9	0.23
General hazardous waste	**1,052,033**	**61.95**	765,680	66.93	37.4	–4.98
Oil sludge	**131,987**	**7.77**	68,442	5.98	92.85	1.79
Fly ash	**57,954**	**3.42**	–	–	–	3.42
Industrial solid waste treatment services	**456,179**	**26.86**	309,869	27.09	47.22	–0.23
Total	**1,698,153**	**100.0**	1,143,991	100.0	48.44	–

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's revenue was derived from two business streams, namely (i) industrial hazardous waste treatment services; (ii) industrial solid waste treatment services. All treatment businesses maintained rapid growth. With a breakdown by streams:

(i) Revenue from **industrial solid waste treatment services** was RMB1,241.97 million, representing a year-on-year increase of 48.90%, of which:

Revenue from **general hazardous waste** was RMB1,052.03 million, representing a year-on-year increase of 37.40%, The increase in revenue was primarily due to the Group's new projects in Luoyang, Jiyuan, Dengfeng, Long'an, Dezhou and Tai'an, as well as the rapid year-on-year growth of the projects in Guiyang, Yangchun and Jining.

Revenue from **oil sludge** was RMB131.99 million, representing a year-on-year increase of 92.85%. This was primarily due to the combined effect of the Group's acquisition of the oil sludge project in Binzhou and the full-year operation of Shaanxi Bangda.

Revenue from **fly ash** was RMB57.95 million, representing a year-on-year increase of RMB57.95 million. The increase in revenue generated from fly ash was primarily due to the commencement of operation of the fly ash project of Wuhu Environmental.

(ii) Revenue from **industrial solid waste treatment services** was RMB456.18 million, representing a year-on-year increase of 47.22%. The rapid growth in revenue was primarily due to the Group's new projects of industrial solid waste treatment business in Linxiang, Ningguo, Chizhou, Zongyang and Quanjiao, as well as the rapid year-on-year growth of the projects in Wuhu and Yangchun.

2. Revenue by geographical locations

	2021		2020		**Change in**	**Change in**
Item	**Amount**	**Percentage**	Amount	Percentage	**amount**	**Percentage**
	(RMB'000)	**%**	(RMB'000)	%	(%)	(percentage points)
Eastern China	**486,919**	**28.67**	269,784	23.58	80.48	5.09
Central China	**208,209**	**12.26**	144,066	12.59	44.52	–0.33
Southern China	**280,042**	**16.49**	191,560	16.75	46.19	–0.26
Southwestern China	**272,532**	**16.05**	271,960	23.77	0.21	–7.72
Northwestern China	**268,342**	**15.80**	261,128	22.83	2.76	–7.03
Northern China	**182,109**	**10.73**	5,493	0.48	3,215.29	10.25
Total	**1,698,153**	**100.00**	1,143,991	100.00	48.44	–

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, all of the Group's revenue are derived from the Chinese market, and the revenue increased by 48.44% year-on-year. With a breakdown by geographical locations:

(i) Revenue from Eastern China was RMB486.92 million, representing a year-on-year growth of 80.48%, primarily due to the commencement of operation of the projects in Ningguo, Chizhou, Quanjiao and Zongyang, as well as the rapid year-on-year growth in the project in Wuhu, in Eastern China.

(ii) Revenue from Central China was RMB208.21 million, representing a year-on-year growth of 44.52%, primarily due to the commencement of operation of the projects in Yiyang and Linxiang, as well as the year-on-year growth in the projects in Qiyang and Yiyang, in Central China.

(iii) Revenue from Southern China was RMB280.04 million, representing a year-on-year growth of 46.19%, primarily due to the commencement of operation of the projects in Long'an, Chongzuo and Guilin, as well as the rapid year-on-year growth in the project in Yangchun.

(iv) Revenue from Southwestern China was RMB272.53 million, representing a year-on-year increase of 0.21%, basically unchanged, primarily due to the combined effect of the growth in the performance of Guiyang, Liangping and Guangyuan and the decline in performance of Chongqing.

(v) Revenue from Northwestern China was RMB268.34 million, representing a year-on-year increase of 2.76%, primarily due to the increase in revenue from the project of Shaanxi Bangda.

(vi) Revenue from Northern China was RMB182.11 million, representing a year-on-year growth of 3,215.29%, primarily due to the commencement of operation of the projects in Luoyang, Jiyuan, Dengfeng, Dezhou and Tai'an in 2021.

5. MANAGEMENT DISCUSSION AND ANALYSIS

3. Gross profit and gross profit margin

	2021		2020			
Item	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Change in amount	Change in percentage
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(percentage points)
Industrial hazardous waste treatment services	**760,467**	**61.23**	568,769	68.19	33.7	–6.96
General hazardous waste	**687,363**	**65.34**	536,508	70.07	28.12	–4.73
Oil sludge	**63,828**	**48.36**	32,261	47.14	97.85	1.22
Fly ash	**9,276**	**16.01**	–	–	–	16.01
Industrial solid waste treatment services	**254,568**	**55.8**	180,886	58.38	40.73	–2.58
Total	**1,015,035**	**59.77**	749,655	65.53	35.40	–5.76

During the Reporting Period, the Group recorded a gross profit of RMB1,015 million, representing a year-on-year growth of 35.40%; consolidated gross profit margin was 59.77%, representing a year-on-year decrease of 5.76 percentage points. With a breakdown by revenue streams,

(i) Gross profit margin for **industrial hazardous waste treatment services** was 61.23%, representing a year-on-year decrease of 6.96 percentage points. Among which:

Gross profit margin for **general hazardous waste** was 65.34%, representing a year-on-year decrease of 4.73 percentage points. The decrease in gross profit margin was primarily due to (a) the fierce competition in the project market of Xianyang, Yaobai, Qianyang and Xingye and the downward trend of the price of hazardous waste; and (b) the year-on-year decline in general hazardous waste intake of projects in Wenshan and Chongqing, leading to the decrease in revenue.

Gross profit margin for **oil sludge treatment** was 48.36%, representing a year-on-year increase of 1.22 percentage points, primarily due to the significant increase in revenue as a result of the Group's acquisition of the oil sludge project in Binzhou and the full-year operation of Shaanxi Bangda, as well as the reduction in treatment cost and improvement of gross profit margin of the project of Shaanxi Bangda under the Company's effective cost control since its acquisition.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit margin for **fly ash treatment** was 16.01%. The low gross profit margin was primarily because only one project of Wuhu Environmental was put into operation and was still in the ramp-up period, with only a single price for treatment and room for improvement of treatment costs.

(ii) Gross profit margin for **industrial solid waste treatment services** was 55.80%, representing a year-on-year decrease of 2.58 percentage points, primarily due to (a) the year-on-year decrease in industrial solid waste intake of projects in Chongqing, Huaibei and Huaining; and (b) the year-on-year decrease in general solid waste price of projects in Xianyang and Yaobai.

4. Other income

During the Reporting Period, the Group's other income amounted to RMB83.87 million, representing a year-on-year increase of RMB39.79 million, or 90.27%, primarily due to the increased government grants received by the Group and the disposal of a subsidiary.

5. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB131.35 million, representing a year-on-year increase of RMB42.52 million, or 47.87%, primarily due to the increase in distribution costs as a result of the increased number of newly-operated companies and increased efforts in market expansion of the Group during the year.

6. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB227.58 million, representing a year-on-year increase of RMB97.94 million, or 75.55%, primarily due to the increase in fixed costs as a result of the increased number of newly-operated companies during the year, as well as the impact of expenses of spin-off and the Listing.

7. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB52.08 million, representing a year-on-year increase of RMB39.89 million, or 327.33%. The increase in finance costs was primarily due to new bank loans raised by the Group for the settlement of borrowings from related party for spin-off and the Listing.

5. MANAGEMENT DISCUSSION AND ANALYSIS

8. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB697.71 million, representing a year-on-year increase of RMB123.55 million, or 21.52%, primarily due to the increase of operating companies which resulted in the rapid growth in profit from the principal businesses.

(II) FINANCIAL POSITION

As at 31 December 2021, the Group's total assets amounted to RMB7,510.22 million, representing an increase of RMB2,622.11 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB2,420.59 million, representing an increase of RMB1,367.35 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 58.86%, representing a decrease of 4.28 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	**As at 31 December 2021 (RMB'000)**	As at 31 December 2020 (RMB'000)	**Change between the end of the Reporting Period and the end of the previous year** (%)
Property, plant and equipment	**5,170,495**	3,066,011	68.64
Non-current assets	**5,806,723**	3,514,261	65.23
Current assets	**1,703,498**	1,373,851	23.99
Current liabilities	**1,994,671**	2,031,987	–1.84
Non-current liabilities	**2,425,630**	1,054,488	130.03
Net current liabilities	**291,173**	658,136	–55.76
Equity attributable to equity Shareholders of the Company	**2,420,593**	1,053,244	129.82
Total assets	**7,510,221**	4,888,112	53.64
Total liabilities	**4,420,301**	3,086,475	43.22

5. MANAGEMENT DISCUSSION AND ANALYSIS

1. Non-current assets and current assets

As at 31 December 2021, non-current assets of the Group amounted to RMB5,806.72 million, representing an increase of 65.23% as compared to the end of the previous year, primarily due to the increase in property, plant and equipment and right-of-use assets. Current assets of the Group amounted to RMB1,703.50 million, representing an increase of 23.99% as compared to the end of the previous year, primarily due to the increase in trade and other receivables.

2. Non-current liabilities and current liabilities

As at 31 December 2021, non-current liabilities of the Group amounted to RMB2,425.63 million, representing an increase of 130.03% as compared to the end of the previous year, primarily due to the new long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB1,994.67 million, representing a decrease of 1.84% as compared to the end of the previous year, primarily due to the year-on-year decrease in trade and other payables of the Group.

As at 31 December 2021, current ratio and debt-to-equity ratio of the Group were 0.85 and 0.99, respectively, as compared to 0.68 and 0.64, respectively, as at the end of the previous year.

3. Net current liabilities

As at 31 December 2021, net current liabilities of the Group amounted to RMB291.17 million, representing a decrease of RMB366.96 million as compared to the end of the previous year, primarily due to the rapid increase in current assets of the Group.

4. Equity attributable to equity shareholders of the Company

As at 31 December 2021, the Group's equity attributable to equity shareholders of the Company amounted to RMB2,420.59 million, representing an increase of 129.82% as compared to the end of the previous year, primarily due to increases in net profit from principal businesses attributable to the equity shareholders of the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(III) LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group took full advantage of the scale of cash reserve and improved the returns through enhancing capital planning and management and reasonable allocation of project loans, so as to fully satisfy the Company's capital needs. As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB596.11 million, which were mainly denominated in RMB.

1. Bank loans

Item	**As at 31 December 2021 (RMB'000)**	As at 31 December 2020 (RMB'000)
Due within one year	**634,033**	120,639
Due after one year but within two years	**343,522**	227,906
Due after two years but within five years	**1,766,994**	725,095
Due after five years	**299,312**	87,832
Total	**3,043,861**	1,161,472

As at 31 December 2021, the balance of bank loans of the Group amounted to RMB3,043.86 million, representing an increase of RMB1,882.39 million as compared to the end of the previous year, primarily due to the new bank loans raised by the Group during the Reporting Period. As at 31 December 2021, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

5. MANAGEMENT DISCUSSION AND ANALYSIS

2. Cash flows

Item	2021 (RMB'000)	2020 (RMB'000)
Net cash generated from operating activities	**767,721**	453,462
Net cash used in investing activities	**–2,182,069**	–1,634,539
Net cash generated from financing activities	**1,371,677**	1,570,165
Net (decrease)/increase in cash and cash equivalents	**–42,671**	389,088
Cash and cash equivalents at the beginning of the year	**638,784**	249,696
Cash and cash equivalents at the end of the year	**596,113**	638,784

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB767.72 million, representing a year-on-year increase of RMB314.26 million, primarily due to the increase in the number of operating companies of the Group which resulted in the increase in revenue.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB2,182.07 million, representing a year-on-year increase of RMB547.53 million, primarily due to the increase in payment for purchase of property, plant and equipment, construction in progress, intangible assets, right-of-use assets, and acquisition of subsidiary (net of cash acquired) during the Reporting Period.

Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB1,371.68 million, representing a year-on-year decrease of RMB198.49 million, primarily due to the increase in repayment of amounts due to related parties and dividends paid to the equity Shareholders of the Company.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

As at 31 December 2021, purchase commitments of the Group in connection with construction contracts were as follows:

Item	**As at 31 December 2021 (RMB'000)**	As at 31 December 2020 (RMB'000)
Contracted for	**504,362**	1,282,602
Authorized but not contracted for	**793,689**	1,657,329
Total	**1,298,051**	2,939,931

(V) FOREIGN EXCHANGE RISK

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

The Group did not use any financial derivatives to hedge against any foreign exchange risks.

(VI) CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 31 December 2021, the bank loans of the Group amounting to RMB50,000,000 (31 December 2020: RMB50,000,000) were secured by right-of-use assets provided by Luoyang Haizhong Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

As at 31 December 2021, the bank loans of the Group amounting to RMB7,000,000 (31 December 2020: RMB nil) were secured by property, plant and equipment and right-to-use assets of Binzhou Huabin Jucheng Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

(VIII) MATERIAL INVESTMENTS

As at 31 December 2021, the Group had no material investment.

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

Save as disclosed in this annual report, the Board has not approved any other material investment or capital asset acquisition as at the date of this annual report.

5. MANAGEMENT DISCUSSION AND ANALYSIS

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

As disclosed in the Listing Document, on 7 June 2021, the Company entered into the sale and purchase agreement with then independent third party shareholders of Yaobai Environmental, pursuant to which, the Company acquired the remaining (i) 40% minority interest in Yaobai Environmental, as well as (ii) 35% minority interest in 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 31 December 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 the Company to Conch Venture. On 27 August 2021, the 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 the 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 the Company.

As disclosed in the Listing Document, in December 2021, Conch Venture International Holdings (HK) Limited, a subsidiary of the Company, entered into an equity transfer agreement with China Conch Venture Holdings (HK) Limited ("**Conch Venture HK**"), to sell its entire 65% equity interest in 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**"), a non-wholly owned subsidiary of Conch Venture International Holdings (HK) Limited, to Conch Venture HK. CV Shanghai is principally engaged in the investment business and the headquarter property construction and development which are not in the same or ancillary business of the Group. In line with the Group's development strategy to further strengthen its leading position as a cement kiln waste treatment service provider, the Group intends to focus its resources on increase of its treatment capacity and expansion of its national service coverage as well as streamline our operations, and therefore proceeded with the disposal. The total consideration of the disposal was RMB65 million, which was determined based on the registered share capital of CV Shanghai. The disposal was completed in December 2021 and immediately after the completion of the disposal, the Group ceased to hold any interest in CV Shanghai.

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2021.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(XI) CONVERTIBLE BONDS

As at 31 December 2021, the Group did not have any convertible bonds.

As disclosed in the Listing Document, in September 2018, China Conch Venture Holdings International Limited (a subsidiary of Conch Venture) issued zero coupon guaranteed convertible bonds (the "**2018 Convertible Bonds**") in the aggregate principal amount of HK$3,925,000,000 due 2023, which were listed on the Frankfurt Stock Exchange in September 2018. According to the terms and conditions of the 2018 Convertible Bonds (the "**2018 CB Terms and Conditions**") as disclosed in the announcement of Conch Venture on the website of the Stock Exchange on 30 August 2018, the 2018 Convertible Bonds can be convertible into the ordinary shares of Conch Venture at the initial conversion price of HK$40.18 (subject to the adjustment according to 2018 CB Terms and Conditions) at any time on and after 16 October 2018 up to the close of business on the 10th day prior to 5 September 2023, the maturity date of the 2018 Convertible Bonds. According to the 2018 CB Terms and Conditions, in the event of the occurrence of the Spin-off, no adjustment to the conversion price shall occur and a bondholder may only exercise their conversion right in respect of both the shares of Conch Venture and the shares of the Company jointly and may not exercise such rights individually. As of 31 December 2021, 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 the Company with no consideration, representing approximately 5.68% of the issued share capital of the Company immediately upon completion of the Listing and approximately 5.37% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(XII) HUMAN RESOURCES

The Group constantly explores and optimizes its employment management model and performance appraisal management model in light of its strategic development needs and operational management practices, and also provides employees with competitive remuneration packages and various training programs with reference to the industry's salary level and the local economic development level.

During the Reporting Period, the Group devoted its efforts to build a comprehensive remuneration management system, with particular emphasis on the salary assessment and incentive management of the middle and senior management, to establish a top-to-bottom vertical management system to give full play to the incentive and restraining effect of the remuneration mechanism of the Group.

In addition, the Group has implemented regionalised management based on the actual geographical and operational condition of the project companies, which has facilitated the integration of the human resources of the Group and further enhanced the efficiency of human resources management of project companies.

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

As at 31 December 2021, the Group had 3,445 employees. The remuneration of employees is determined by qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2021, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB276.80 million.

6. CORPORATE GOVERNANCE REPORT

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

(I) CORPORATE GOVERNANCE CODE

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

The CG Code has been applicable to the Company since the Listing Date and was not applicable to the Company during the year ended 31 December 2021. The Company has complied with all applicable code provisions set out in the CG Code from the Listing Date up to the date of this report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

(II) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

As the Company was not listed on the Stock Exchange as of 31 December 2021, relevant rules under the Listing Rules concerning the Model Code that the Directors shall observe were not applicable to the Company for the year ended 31 December 2021.

Specific enquiry has been made to all the Directors and all Directors confirmed that they have complied with the Model Code for transactions in the Company's securities from the Listing Date and up to the date of this report.

6. CORPORATE GOVERNANCE REPORT

(III) THE BOARD

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

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

Name	Position
Mr. Guo Jingbin	Executive Director and Chairman of the Board
Mr. Shu Mao	Executive Director and General Manager
Mr. Wan Changbao (appointed on 22 April 2022)	Executive Director and Executive Deputy General Manager
Mr. Zhang Keke	Executive Director and Deputy General Manager
Mr. Ji Qinying	Non-executive Director
Mr. Li Daming (resigned on 22 April 2022)	Non-executive Director
Mr. Xiao Jiaxiang	Non-executive Director
Mr. Hao Jiming	Independent non-executive Director
Mr. Cai Hongping	Independent non-executive Director
Mr. Dai Xiaohu	Independent non-executive Director

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

Independence of Independent Non-executive Directors

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

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

6. CORPORATE GOVERNANCE REPORT

(IV) FUNCTIONS AND OPERATION OF THE BOARD AND MANAGEMENT

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

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

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

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

(V) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

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

Every Director will receive formal, comprehensive and tailored induction on the occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. During the year ended 31 December 2021, the Directors have participated in continuing professional development programmes and provided the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant.

6. CORPORATE GOVERNANCE REPORT

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

Name of Director	Attending training courses/ conferences	Reading legal and regulatory updates and other reference materials
Mr. Guo Jingbin	✓	✓
Mr. Shu Mao	✓	✓
Mr. Wan Changbao (appointed on 22 April 2022)	N/A	N/A
Mr. Zhang Keke	✓	✓
Mr. Ji Qinying	✓	✓
Mr. Li Daming (resigned on 22 April 2022)	✓	✓
Mr. Xiao Jiaxiang	✓	✓
Mr. Hao Jiming	✓	✓
Mr. Cai Hongping	✓	✓
Mr. Dai Xiaohu	✓	✓

(VI) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

6. CORPORATE GOVERNANCE REPORT

(VII) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

As at the date of this report, the Company has entered into service contracts with all executive Directors and non-executive Directors for a term of three years. The Company has also entered into appointment letters with all independent non-executive Directors for a term of three years commencing from the date of the Listing Document (22 March 2022). Such appointment may be terminated by not less than three months' written notice from either party.

Pursuant to article 108 of the Articles of Association, at each annual general meeting, one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Pursuant to article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at the meeting.

Hence, in accordance with article 112 of the Articles of Association, Mr. Guo Jingbin, Mr. Shu Mao, Mr. Zhang Keke, Mr. Ji Qinying, Mr. Xiao Jiaxiang, Mr. Hao Jiming, Mr. Cai Hongping and Mr. Dai Xiaohu, who were appointed by the Board on 17 September 2021, and Mr. Wan Changbao who were appointed by the Board on 22 April 2022, will only hold office until the first annual general meeting of the Company. All of the above retiring Directors, being eligible, will offer themselves for re-election.

6. CORPORATE GOVERNANCE REPORT

(VIII) BOARD MEETING

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

The Board has held one meeting from the Listing Date to the date of this report. At the meeting, the Directors reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 and considered the re-election of Directors, the re-appointment of auditors and the convening of the annual general meeting. The Board also discussed and reviewed matters such as the risk management and internal control system of the Company. The Board meeting was chaired by Mr. Guo Jingbin and attended by Mr. Shu Mao, Mr. Zhang Keke, Mr. Ji Qinying, Mr. Xiao Jiaxiang, Mr. Li Daming, Mr. Hao Jiming, Mr. Cai Hongping and Mr. Dai Xiaohu.

(IX) COMMITTEES OF THE BOARD

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

6. CORPORATE GOVERNANCE REPORT

1. Audit Committee

(1) Members

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

Name	Position
Mr. Cai Hongping	Chairman
Mr. Hao Jiming	Member
Mr. Dai Xiaohu	Member

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

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

(2) Summary of Functions and Duties

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

As the Company was listed on 30 March 2022, the Audit Committee did not hold any meeting for the year ended 31 December 2021.

From the Listing Date and up to the date of this report, the Audit Committee held one meeting, at which, the Audit Committee reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021, this annual report and continuing connected transactions. The Audit Committee also discussed the accounting policies and practices adopted by the Company as well as matters such as financial reporting and internal control, and reviewed the Terms of Reference of the Audit Committee and its effectiveness and considered the re-appointment of external auditor. The Audit Committee meeting was chaired by Mr. Cai Hongping and attended by Mr. Hao Jiming and Mr. Dai Xiaohu.

6. CORPORATE GOVERNANCE REPORT

2. Remuneration and Nomination Committee

(1) Members

The Chairman of the Board and the three independent non-executive Directors of the Company were the members of the Remuneration and Nomination Committee. Their positions are as follows:

Name	Position
Mr. Dai Xiaohu	Chairman
Mr. Guo Jingbin	Member
Mr. Hao Jiming	Member
Mr. Cai Hongping	Member

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

(2) Summary of Functions and Duties

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

As the Company was listed on 30 March 2022, the Remuneration and Nomination Committee did not hold any meeting for the year ended 31 December 2021.

6. CORPORATE GOVERNANCE REPORT

From the Listing Date and up to the date of this report, the Remuneration and Nomination Committee held one meeting, at which the Remuneration and Nomination Committee reviewed the composition and structure of the Board and made recommendations to the Board on the proposed re-election of retiring directors at the 2022 Annual General Meeting; reviewed the current policy and structure for remuneration of Directors and senior management and made recommendations to the Board on the policy, structure and remuneration of Directors and senior management for 2022; reviewed and assessed the independence of independent non-executive Directors; and reviewed the Terms of Reference of the Remuneration and Nomination Committee and its effectiveness and the diversity policy of the Board. The meeting of the Remuneration and Nomination Committee was chaired by Mr. Dai Xiaohu and attended by Mr. Guo Jingbin, Mr. Hao Jiming and Mr. Cai Hongping.

(3) Director Nomination Policy

The Company adopted a director nomination policy on 16 March 2022, which sets forth the procedures for nominating candidates for election as Directors of the Company, the procedures and criteria adopted by the Remuneration and Nomination Committee in selecting and recommending candidates for election as Directors of the Company and the subsequent procedures for considering and, if applicable, approving nominations made by the Board and, if applicable, the Shareholders of the Company.

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

1. qualifications, skills, knowledge, competence and experience and the time and attention that may be devoted to the performance of the duties of a Director under common law, legislation and applicable rules, regulations and guidelines; expertise and industry experience which may be relevant to the Company and the potential contributions that such candidate could bring to the Board;

2. candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);

3. with reference to the board diversity policy of the Company, the existing structure, size and composition of the Board and corporate strategy.

6. CORPORATE GOVERNANCE REPORT

4. board succession planning considerations and the long-term needs of the Company;

5. in case of a candidate for an independent non-executive Director, to assess whether the candidate meets the independence criteria under the Listing Rules and the guidelines and requirements relating to independent non-executive Directors set out in Appendix 14 to the Listing Rules and the "Guidance for Boards and Directors" published by the Stock Exchange; and

6. any other factors and matters as the Remuneration and Nomination Committee may consider appropriate.

The Remuneration and Nomination Committee shall make recommendations to the Board on the selection of Directors. The Board will consider the recommendation of the Remuneration and Nomination Committee before making a decision on the appointment of a candidate for directorship.

(4) Board Diversity Policy

The Company adopted a board diversity policy on 16 March 2022.

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

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

6. CORPORATE GOVERNANCE REPORT

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

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

(b) at least 80% of Board members have relevant working experiences in China;

(c) at least one female Director is appointed; and

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

We recognize that the gender diversity at the Board level can be improved given its current composition of all male Directors. The 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, the 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 candidates 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 providing 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.

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

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

6. CORPORATE GOVERNANCE REPORT

3. Strategy, Sustainability and Risk Management Committee

(1) Members

The Chairman of the Board, the General Manager, one executive Director, one non-executive Director and one independent non-executive Director of the Company are the current members of the Strategy, Sustainability and Risk Management Committee and their positions are as follows:

Name	Position
Mr. Guo Jingbin	Chairman
Mr. Dai Xiaohu	Member
Mr. Xiao Jiaxiang	Member
Mr. Shu Mao	Member
Mr. Zhang Keke	Member

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

(2) Summary of Functions and Duties

The Strategy, Sustainability and Risk Management Committee is mainly responsible for formulating the mid and long-term planning of development strategies of the Group, considering and making recommendations on policies for the sustainable development, monitoring and reviewing the implementation of strategic development plans and policies related to sustainable development, overseeing and reviewing the risk management system, and assisting the Board in fulfilling its management and supervision responsibilities related to the sustainable development of the Group.

As the Company was listed on 30 March 2022, the Strategy, Sustainability and Risk Management Committee did not hold any meeting for the year ended 31 December 2021.

From the Listing Date and up to the date of this report, the Strategy, Sustainability and Risk Management Committee held one meeting, at which Strategy, Sustainability and Risk Management Committee reviewed the environmental, social and governance report of the Company for 2021 and the risk management system of the Company for 2021. The meeting of the Strategy, Sustainability and Risk Management Committee was chaired by Mr. Guo Jingbin and attended by Mr. Dai Xiaohu, Mr. Xiao Jiaxiang, Mr. Shu Mao and Mr. Zhang Keke.

6. CORPORATE GOVERNANCE REPORT

(X) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in Code Provision A.2.1 of the CG Code.

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

(XI) AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements for the year ended 31 December 2021 of the Group is set out in the section headed "Independent Auditor's Report" on pages 111 to 116.

The fee paid/payable to KPMG, the auditor, by the Company for the year ended 31 December 2021 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit services — audit fee for 2021	1,300
Audit services — Listing related	5,000
Non-audit services	0
Total	6,300

6. CORPORATE GOVERNANCE REPORT

(XII) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors recognize and acknowledge their responsibility for preparing the financial statements of the Company for each financial year. The financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flows of the Group in the year. The Board had adopted appropriate accounting policies and ensured such accounting policies have been applied consistently in preparing the financial statements for the year ended 31 December 2021, made prudent, fair and reasonable judgments and estimates, and prepared the accounts on an ongoing concern basis. The Directors believe after making reasonable inquiries that the Group has sufficient fund to meet the constant operations in the foreseeable future, therefore the ongoing basis is appropriate for the preparation of the financial statements.

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

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

(XIII) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully responsible for, and assesses the risk management and internal control systems of the Group so as to protect the investments of the Shareholders of the Company and the assets of the Group. The Board had complied with the code provisions regarding risk management and internal control systems as set out in the CG Code.

(1) Structure of risk management and internal control

To ensure the adequacy of resources available to the Company in respect of risk management and internal control, the Company has established a sound organisational structure of risk management and internal control that includes the Audit Committee, the Strategy, Sustainability and Risk Management Committee, the management, the Supervision and Audit Department and various departments and subsidiaries of the Company.

6. CORPORATE GOVERNANCE REPORT

The Board is ultimately responsible for the risk management and internal control of the Company by determining the overall risk preference and risk tolerance of the Company based on the strategic development objectives and reviewing the effectiveness of the risk management and internal control systems, which are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee and the Strategy, Sustainability and Risk Management Committee under the Board monitors the operation of the Company's risk management and internal control system, advises the Board and makes recommendations on major decisions regarding the building of the risk management and internal control system. The management of the Company is responsible for laying down the risk management and internal control structure and basic requirements, and continuously improving the scope, substance, methodology and procedure of work of the structure. The Supervision and Audit Department of the Company is a permanent department for risk management, which organizes and implements the daily work of risk management, conducts risk management and internal control, and is responsible to the management of the Company. As the first line of defence in risk management and internal control, various departments of the Company and relevant departments of its subsidiaries accept the organisation, coordination, guidance and supervision by the Supervision and Audit Department of the Company in doing their part of risk management and internal control in their respective professional areas.

(2) Process of risk management

The Company formulated the Overall Risk Management Measures to provide a policy basis for adequate management of risks related to the Company's business and operations, so that the Company can identify and properly manage all major risks it faces. The risk management system specifies the overall objectives and basic principles of risk management, the division of responsibilities and reporting channels for risk management, the risk management methodology, the main content of risk management and daily work. The risk management methodology referred to in the system includes the basic procedures of risk identification, risk assessment, risk response, risk monitoring and reporting. The Supervision and Audit Department organizes and carries out risk management work every year, continuously monitors the information on major risks and risk change in the operation and management of each risk responsible department, supervises and evaluates whether each department and subsidiary is able to carry out risk management work in accordance with relevant regulations and their effectiveness, and makes suggestions for improvement on the effectiveness of risk management work. The Supervision and Audit Department will report directly to the Strategy, Sustainability and Risk Management Committee, the Audit Committee and the Board and take reasonable measures and make rectifications in a timely manner in case that serious internal control defaults are found in the system.

During the Reporting Period, the Company formulated the Implementation Plan for Internal Risk Control for 2021 and commenced related work. In accordance with the relevant risk management system, the Company focused on its overall operating objectives, combined the internal and external circumstances, as well as the management conditions of the Company, fully reorganised and identified the possible risks from different aspects, such as strategy, operation, finance, market, law and others, and thereby built up a risk incident database that was unique to the Company, and assessed the major risks faced, formulated countermeasure plans for the major risks and stepped up risk prevention and control in key areas.

6. CORPORATE GOVERNANCE REPORT

(3) Internal control system

The building and improvement of internal control is an effective response to risks. The Company reviews the effectiveness of the risk management and internal control system, and evaluates all the key areas of control, including financial control, operations control and compliance control.

During the Reporting Period, on the basis of adequately identifying and evaluating risks, the Company implements the basic response measures to risks for internal control through specific business processes. In view of the management and business processes involved in major risks, the Company has formulated whole-process control measures covering every stage, including management procedures and internal control measures for important processes, such as the preparation and disclosure of financial reports, as well as the handling and dissemination of inside information. The Group conducted self-assessments on risk management and internal control in July and December 2021 respectively. Based on the results of the internal control self-assessment, the Company and its subsidiaries had no significant internal control deficiencies in financial reporting and non-financial reporting, no significant incidents related to compliance, safety, environmental or litigation, no reported incidents of improper financial reporting, internal control or other misconduct by employees. The risk management and internal control systems of the Company and its subsidiaries were proved to be effective and adequate during the Reporting Period.

(4) Key features of risk management and internal control system

With an aim to "comply with the requirements of the Code Provisions, make full use of existing resources, continuously improve risk management, enhance the quality of the Company's operations, and promote the achievement of development goals", and based on the regulatory requirements for listed companies, the Company clearly defines the roles and responsibilities of the Board and the management in the risk management and internal control systems, enhance measures to cope with risks and measures of internal supervision and inspection, effectively give play to the functions of the three-tier management structure of the Company, including the professional departments, regional management committees and subsidiaries, and establishes risk management and internal control systems of top-down coordination of the Company and its subsidiaries.

The Board continuously supervise the risk management and internal control systems of the Company, and review the effectiveness of the risk management and internal control systems of the Company and its subsidiaries annually. The Board has reviewed the effectiveness of the risk management and internal control systems and received the confirmation from the management in respect of the effectiveness of the risk management and internal control systems of the Company, and considered that such systems were effective and sufficient.

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

6. CORPORATE GOVERNANCE REPORT

(XIV) COMPANY SECRETARY

Mr. Shu Mao is the company secretary of the Company and has met the qualification requirements of a company secretary under Rule 3.28 of the Listing Rules. Detailed biographies of Mr. Shu Mao are set out in the section headed "Directors and Senior Management" of this report.

For the year ended 31 December 2021, Mr. Shu Mao had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

(XV) SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

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

1. One or more Shareholders ("**Requisitionist(s)**") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.

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

Address:	No. 1005 Jiuhua South Road, Wuhu City, Anhui Province the People's Republic of China
Email:	shumao@conchventure.com
Attention:	The Board of Directors/Company Secretary

3. The extraordinary general meeting shall be held within two months after the deposit of such requisition.

4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days upon such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of convening such meeting by the Directors shall be reimbursed to the Requisitionist(s) by the Company.

6. CORPORATE GOVERNANCE REPORT

Procedures for raising enquiries

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

   Computershare Hong Kong Investor Services Limited

Address:	Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Email:	hkinfo@computershare.com.hk
Tel:	(852) 2862 8555
Fax:	(852) 2865 0990/2529 6087

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

Address: No.	1005 Jiuhua South Road, Wuhu City, Anhui Province the People's Republic of China
Email:	shumao@conchventure.com
Tel:	86–553–8399461/8399135
Fax:	86–553–8399065
Attention:	The Board of Directors/Company Secretary

3. Shareholders of the Company are encouraged to make enquires via the online enquiry form available on the Company's website at www.conchenviro.com.

4. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company at the appropriate time.

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

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and effective, the Board will include the Proposal in the agenda for the general meeting.

6. CORPORATE GOVERNANCE REPORT

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

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

   (2) Notice of not less than 14 clear days (and not less than 10 clear business day) in writing shall be given for all other general meetings (including extraordinary general meetings).

(XVI) CONSTITUTIONAL DOCUMENTS

From the Listing Date to the date of this report, no change has been made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company (www.conchenviro.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

(XVII) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company recognizes its timely disclosure of corporate information, which enables Shareholders and investors to make investment decisions in their best interests. The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.conchenviro.com as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access. Shareholders and investors may send written enquiries or requests to the Company through the following channels:

Address:	**Office and Correspondence Address:** No. 1005 Jiuhua South Road, Wuhu City, Anhui Province, China **Representative Office in Hong Kong:** Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel:	86-553-8399461/8399135
Fax:	86-553-8399065
Email:	conchenviro@conchventure.com

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

7. REPORT OF THE DIRECTORS

Directors hereby present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

(1) GENERAL INFORMATION

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

(2) PRINCIPAL ACTIVITIES

The Group is a large-scale energy conservation and environmental protection enterprise specializing in the field of energy conservation and environmental protection integrating scientific research and development, design, production, sales and after-sales services. The Group pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial solid and hazardous waste. We have also adopted emerging technologies such as fly ash washing and oil sludge treatment to meet the ever-changing needs of the industry and are committed to further developing our technologies to continue to meet the ever-changing waste treatment needs of our customers.

(3) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

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

The Group's customers are primarily industrial companies that are in need of treating industrial solid and hazardous waste. In order to maintain customer relationship, the Group has established 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.

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

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

7. REPORT OF THE DIRECTORS

(4) RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and comprehensive income on page 118 of this report.

(5) BUSINESS REVIEW

A fair review of the business of the Group and a discussion on the Group's future business development are set out in the "Business Review and Outlook" section on pages 10 to 21 of this report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the "Management Discussion and Analysis" section on pages 22 to 34 of this report.

The relationships with substantial stakeholders, description of major risk and uncertainties facing the Company, compliance with laws and regulations, the Group's environmental policies and performance and significant events after the Reporting Period are included in the "Report of Directors" section on pages 54, 67 to 69 respectively of this report.

These information forms part of the Report of the Directors.

(6) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 24 to the financial statements and the consolidated statement of changes in equity on page 121 of this report.

As at 31 December 2021, the Company's reserves available for distribution to its Shareholders amounted to approximately RMB1,215.25 million.

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2021.

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

7. REPORT OF THE DIRECTORS

(7) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, the property, plant and equipment of the Group amounted to approximately RMB5,170.50 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 10 to the financial statements.

As disclosed on pages 179 to 186 of the Listing Document of the Company, as of the latest practicable date (i.e. 13 March 2022), we had not obtained the land use right certificates for the land occupied by eight properties with a total gross floor area of 39,133.8 square meters (the "**Relevant Lands**"). Details of the Relevant Lands, including but not limited to the use, reasons for non-compliance, rectification status and expected time to obtain the real property ownership certificates, are disclosed in the table on pages 179 to 182 of the Listing Document. As of the date of this annual report, we have obtained the land use right certificate for Property No. 2 among the Relevant Lands (which has a gross site area of 27,226.67 sq.m. and a gross floor area of 6,914.33 sq.m. and is used as a waste treatment plant) on 23 March 2022 for a term commencing from 7 June 2022 to 7 June 2072, and the expected time to obtain the real property ownership certificate of the property is on or before March 2023. As of the date of this annual report, there is no update on the remaining seven properties as compared to the disclosure in the Listing Document. The Company will take proactive actions to obtain land use right certificates of the Relevant Lands and to obtain the real property ownership certificates of the eight properties on the Relevant Lands.

(8) SUBSIDIARIES AND ASSOCIATED COMPANIES

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

(9) SHARE CAPITAL

Details of the Company's capital structure are set out in note 24 to the financial statements. As at the date of this report, the Company had a total of 1,826,765,059 shares in issue.

7. REPORT OF THE DIRECTORS

(10) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As the Company was not listed on the Stock Exchange as at 31 December 2021, Divisions 2 and 3 of Part XV and section 336 of the SFO were not applicable to the Company as at 31 December 2021.

As far as the Directors were aware, immediately after the completion of the Listing, the interests or short positions of the persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interests	Number of shares	Approximate percentage of shareholdings (%)
SA Conch	Interest of controlled corporation	126,320,000 (L) (note 1)	6.91
CV Investment	Beneficial owner	41,560,000 (L)	2.27
	Interest of controlled corporation	84,760,000 (L) (note 2)	4.64
	Subtotal	**126,320,000 (L)**	**6.91**

Notes:

1. Among the aforesaid shares, 41,560,000 shares are directly owned by CV Investment and the remaining 69,825,500 shares, 6,602,000 shares and 8,332,500 shares are owned respectively by (i) 海螺創投控股（珠海）有限公司 (Conch Venture Holdings (Zhuhai) Co., Ltd.*) ("**CV Holdings (Zhuhai)**"), (ii) 安徽海螺創業醫療投資管理有限責任公司 (Anhui Conch Venture Medical Investment Management Co., Ltd.*) ("**CV Medical**") and (iii) 海螺創業國際有限公司 (Conch Venture International Limited*) ("**CVI**"), all of which are wholly-owned by CV 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 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 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.

3. The letter "L" denotes a long position ("L") in the shares.

* For identification purpose only

Save as disclosed above, immediately after the completion of the Listing, the Directors were not aware of any other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

7. REPORT OF THE DIRECTORS

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

As the Company was not listed on the Stock Exchange as at 31 December 2021, Divisions 7 and 8 of Part XV and section 352 of the SFO were not applicable to the Company as at 31 December 2021.

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

The Company

Name of Directors	Nature of interests	Number of shares (long positions)	Approximate percentage of shareholdings (%)
Mr. Guo Jingbin	Interest of controlled corporation (note 1)	47,680,000	2.61
Mr. Ji Qinying	Interest of spouse (note 2)	35,033,752	1.92
Mr. Li Daming*	Beneficial owner	6,200,563	0.34
	Interest of spouse (note 3)	10,000	0.00
	Subtotal	**6,210,563**	**0.34**
Mr. Zhang Keke	Beneficial owner	2,990,418	0.16
Mr. Wan Changbao*	Beneficial Owner	230,000	0.01
Mr. Shu Mao	Beneficial owner	143,000	0.01

Notes:

1. These shares are owned by Splendor Court, which is wholly owned by Mr. Guo Jingbin. Mr. Guo Jingbin is deemed to be interested in the shares held by Splendor Court by virtue of the SFO.

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

* Mr. Li Daming resigned as a non-executive Director of the Company on 22 April 2022.

* Immediately after the Listing, Mr. Wan Changbao was a senior manager of the Company and was appointed as an executive Director of the Company on 22 April 2022.

7. REPORT OF THE DIRECTORS

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

(11) MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the largest customer of the Group and the sales to the five largest customers of the Group in aggregate accounted for 10% and 20% of the total sales of the Group respectively.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 32% and 54% of the total procurement of the Group respectively.

To the best knowledge of the Directors, none of the Directors and their associates, and anyone who held more than 5% of the Company's issued share capital as at 31 December 2021 has any interest in any of the five largest customers and suppliers mentioned above.

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

Since the Listing Date and up to the date of this report, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

(13) MINIMUM PUBLIC FLOAT

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

7. REPORT OF THE DIRECTORS

(14) EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 3,445 employees. The following table shows a breakdown of the employees by business function and geographical location as at 31 December 2021:

Function	Number of individuals in 2021
Management	**402**
Technology, Research and Development	**1,816**
Operation	**380**
Financial	**113**
Human Resource	**353**
Transportation	**381**
Total	**3,445**

Geographical region	Number of individuals in 2021
Eastern China	**1,047**
Southern China	**527**
Northern China	**594**
Central China	**357**
Southwestern China	**258**
Northwestern China	**553**
Northeastern China	**109**
Total	**3,445**

As of 31 December 2021, 931 employees had bachelor's degrees or above, accounting for 27.02% of the total number of employees.

The remuneration of employees of the Group is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2021, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB276.80 million.

7. REPORT OF THE DIRECTORS

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

Name	Position	Date of appointment
Mr. Guo Jingbin	Executive Director and Chairman of the Board	Appointed on 2 March 2020 and re-designated to the current position on 17 September 2021
Mr. Shu Mao	Executive Director and General Manager	Appointed on 25 February 2021 and re-designated to the current position on 17 September 2021
Mr. Wan Changbao	Executive Director and Executive Deputy General Manager	Appointed on 22 April 2022
Mr. Zhang Keke	Executive Director and Deputy General Manager	Appointed on 25 February 2021 and re-designated to the current position on 17 September 2021
Mr. Ji Qinying	Non-executive Director	Appointed on 25 February 2021 and re-designated to the current position on 17 September 2021
Mr. Li Daming	Non-executive Director	Appointed on 17 September 2021 and resigned on 22 April 2022
Mr. Xiao Jiaxiang	Non-executive Director	Appointed on 17 September 2021
Mr. Hao Jiming	Independent Non-executive Director	Appointed on 17 September 2021
Mr. Cai Hongping	Independent Non-executive Director	Appointed on 17 September 2021
Mr. Dai Xiaohu	Independent Non-executive Director	Appointed on 17 September 2021

Note: The above appointments of independent non-executive Directors became effective on 22 March 2022, being the date of the Listing Document.

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

Pursuant to article 112 of the Articles of Association, Mr. Guo Jingbin, Mr. Shu Mao, Mr. Zhang Keke, Mr. Ji Qinying, Mr. Xiao Jiaxiang, Mr. Hao Jiming, Mr. Cai Hongping and Mr. Dai Xiaohu, who were appointed by the Board on 17 September 2021, and Mr. Wan Changbao, who was appointed by the Board on 22 April 2022, shall only hold office until the forthcoming annual general meeting the Company. All of the above retiring Directors, being eligible, will offer themselves for re-election.

None of the Directors proposed to be re-elected at the 2022 Annual General Meeting had entered into any service contract with the Company or any of its subsidiaries which was not terminable within one year without payment of compensation (other than statutory compensation).

7. REPORT OF THE DIRECTORS

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

Save as disclosed herein, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the end of the year ended 31 December 2021.

(17) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in this report and their respective interests in the Group, none of the Directors and or their respective close associates had any interests in any business which complete or is likely to compete with the business of the Group for the year ended 31 December 2021.

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

The remunerations of Directors of the Company are determined by the Board based on the recommendation of the Remuneration and Nomination Committee with reference to the salaries paid by comparable companies, their time commitment and responsibilities and the performance of the Group. The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are reasonably and necessarily incurred for providing services to the Company or performing their duties in relation to the operation of the Company. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

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

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

Band (RMB)	Number of individuals
0–1,000,000	0
1,000,000–2,000,000	4
2,000,000–3,000,000	1

7. REPORT OF THE DIRECTORS

(19) THE BOARD AND BOARD COMMITTEES

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

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

(20) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

As of the date of this report, details of changes in the Directors and senior management of the Company were as follows:

1. Mr. Wan Changbao was appointed as an executive Director and Executive Deputy General Manager of the Company with effect from 22 April 2022.

2. Due to his personal career arrangement, Mr. Li Daming resigned as a non-executive Director of the Company with effect from 22 April 2022.

(21) MANAGEMENT CONTRACT

During the year ended 31 December 2021, the Company had not entered into any contract with any individual, company or corporation for management and administration of the whole or any substantial part of the business of the Company.

(22) CONNECTED TRANSACTIONS

As the Company has been listed on the Main Board of the Stock Exchange since 30 March 2022 and was not a listed company during the year ended 31 December 2021, the annual review and reporting requirements under Chapter 14A of the Listing Rules were not applicable to the Company for the year ended 31 December 2021. After the Listing, transactions between members of the Group and our connected persons became connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's continuing connected transactions, the terms of which became effective on the Listing Date, are set out below.

1. Connected Persons

As of the date of this report, Shaanxi Oufeide held approximately 26.15% equity interest in Shaanxi Bangda (a subsidiary of the Company), and therefore is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

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

7. REPORT OF THE DIRECTORS

2. Non-exempt continuing Connected Transaction

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.

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

Historical amount for the three years ended 31 December 2021 (RMB in millions)	Proposed annual cap for the three years ending 31 December 2024 (RMB in millions)
2019: 0	2022: 165
2020: 20.9	2023: 215
2021: 118	2024: 240

Reasons for the Transactions

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

7. REPORT OF THE DIRECTORS

Pricing Policy

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

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

3. Exempt continuing connected transaction

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

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

Save as the above continuing connected transactions, related party transactions described in note 29 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules during the Reporting Period and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules. If such related party transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules after the Listing, the Company will strictly comply with the requirements of the Listing Rules.

7. REPORT OF THE DIRECTORS

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

(23) SHARE OPTION SCHEME

As at the date of this report, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

(24) EQUITY-LINKED AGREEMENTS

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

(25) TAX RELIEF AND EXEMPTION

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

(26) PRE-EMPTIVE RIGHTS

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

(27) AUDITOR

In 2021, the Company appointed KPMG as its international auditor for the year ended 31 December 2021 and there had been no change in auditor of the Company after the Listing. The consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG.

The term of office of KPMG will expire at the forthcoming annual general meeting ("**Annual General Meeting**") and KPMG will retire and offer themselves for re-appointment thereat. A resolution for the reappointment of KPMG as the auditor of the Company is to be proposed at the Annual General Meeting.

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

7. REPORT OF THE DIRECTORS

(28) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

(29) MAJOR RISKS AND UNCERTAINTIES

The Group is principally engaged in the provision of industrial solid and hazardous waste treatment services, which are subject to a number of major risks and uncertainties, including: (1) COVID-19 pandemic has a material adverse effect on our business, financial condition and results of operations and resulted in delay in projects under construction; restrictions on interprovincial transportation; and lockdown of cities in which the Group and its subsidiaries operate; (2) material changes in the relationship between the Group and major cement company suppliers would adversely affect our operations and financial results; (3) hazardous waste treatment capacity of the Group is subject to risks in relation to the application and renewal of licenses; and (4) the Group is exposed to environmental compliance risks due to the nature of its operations. The above is not an exhaustive list of risk factors. Save as mentioned above, there may be other risks and uncertainties of which the Group is not aware or which may not be material at present but which may become material in the future.

(30) MATERIAL LITIGATION

For the year ended 31 December 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatening against the Company.

(31) COMPLIANCE WITH LAWS AND REGULATIONS

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

7. REPORT OF THE DIRECTORS

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

7. REPORT OF THE DIRECTORS

(32) ENVIRONMENT POLICIES AND PERFORMANCES

The Group has realized the importance of environmental protection, and has taken stringent environmental measures to ensure that the Group complies with existing environmental laws and regulations. For details of the environmental policies and performance of the Group, please refer to the Environmental, Social and Governance Report in this annual report.

(33) DONATION

During the Reporting Period, the Group donated RMB120,000.

(34) PERMITTED INDEMNITY PROVISIONS

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

(35) PROFESSIONAL TAX ADVICE RECOMMENDED

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

(36) SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events occurred in the Group after 31 December 2021 and up to the date of this report except as disclosed in note 31 to the financial statements.

By order of the Board
Guo Jingbin
Chairman of the Board

Wuhu, China
22 April 2022

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. Guo Jingbin (郭景彬), aged 64, was appointed as a Director on 2 March 2020 and re-designated as an executive Director and the Chairman of the Board on 17 September 2021. He has been appointed as a member of the Remuneration and Nomination Committee and the chairman of the Strategy, Sustainability and Risk Management Committee with effect from 30 March 2022. Mr. Guo is responsible for the overall operations and management, strategic business and financial planning of the 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 the 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 the 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 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 Conch Holdings. 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shu Mao (疏茂), aged 36, was appointed as a Director on 25 February 2021 and re-designated as an executive Director and General Manager of the Company on 17 September 2021 and was appointed as the company secretary. He has been appointed as a member of the Strategy, Sustainability and Risk Management Committee with effect from 30 March 2022. Mr. Shu is responsible for daily operations and management and strategic investment of the 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 the 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 Conch Holdings. 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 (currently known as The Hong Kong Chartered Governance Institute) in March 2021.

Mr. Wan Changbao (萬長寶), aged 41, was appointed as an executive Director and Executive Deputy General Manager of the Company on 22 April 2022. He is responsible for the production operation and engineering management of the Company. Mr. Wan has over 20 years' experience in the field of cement production management, technical innovation and environmental protection. Mr. Wan joined the Group since May 2019 when he was appointed as the general manager of Haizhong Environmental and currently holds various directorships in the Group's subsidiaries. Prior to joining the 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Keke (張可可), aged 59, was appointed as a Director on 25 February 2021 and re-designated as an executive Director and Deputy General Manager of the Company on 17 September 2021. He has been appointed as a member of the Strategy, Sustainability and Risk Management Committee with effect from 30 March 2022. Mr. Zhang is responsible for daily operations and management, marketing and sales of the Group. Mr. Zhang has more than 30 years of extensive experience in the building materials industry and marketing and sales. Mr. Zhang joined the Group since June 2016 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 the Group, from June 1984 to October 2000, Mr. Zhang served in various positions in Conch Cement, such as deputy secretary of the Youth League Committee of Ningguo Cement Plant and the head of supply department of Conch Cement. From October 2000 to May 2016, Mr. Zhang held senior managerial positions in Conch Holdings and its subsidiaries, including the deputy general manager of Conch 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.

2. Non-executive Director

Mr. Ji Qinying (紀勤應), aged 65, was appointed as a Director of the Company on 25 February 2021 and re-designated as a non-executive Director of the Company on 17 September 2021. Mr. Ji is responsible for providing strategic advice on the overall development of the 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xiao Jiaxiang (肖家祥), aged 58, was appointed as a non-executive Director of the Company on 17 September 2021. He has been appointed as a member of the Strategy, Sustainability and Risk Management Committee with effect from 30 March 2022. Mr. Xiao is responsible for providing strategic advice on the overall development of the Group. Mr. Xiao has almost 30 years' experience in business management and investment and financing in capital markets. Mr. Xiao joined the Group since February 2019 when he was appointed as a director of Haizhong Environmental. Prior to joining the Group, from July 1982 to July 1991, Mr. Xiao successively served as an engineer and the head of the workshop of Guizhou Shuicheng Cement Plant (貴州水城水泥廠). From July 1991 to November 2001, he successively held various positions in Huaxin Cement Company Limited (華新水泥股份有限公司, a company listed on the Stock Exchange, stock code: 6655, and on the Shanghai Stock Exchange, stock code: 600801), including a director and the vice general manager. From November 2001 to January 2006, Mr. Xiao served as deputy party secretary, mayor, secretary of Party Committee and director of the Standing Committee in Daye City. From February 2006 to December 2008, he served as the CEO of Tianrui Group Co., Ltd. (天瑞集團股份有限公司) and the chairman and general manager of China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司, a company listed on the Stock Exchange, stock code: 1252). Mr. Xiao has held various managerial positions in CNBM and its subsidiaries since February 2009. Mr. Xiao obtained a bachelor's degree in non-metallic mining engineering from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Institute of Building Materials Industry (武漢建築材料工業學院), in August 1982, a master's degree in management from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Polytechnic University (武漢工業大學), in July 1997 and a doctor's degree in management and engineering from Huazhong University of Science and Technology (華中科技大學) in June 2011. He was granted as a professor-grade senior engineer in November 2002 and is entitled to a special government allowance provided by the State Council in February 2013. Since April 2007, Mr. Xiao consecutively acts as the vice chairman of China Cement Association.

Mr. Li Daming (李大明), aged 56, was appointed as a non-executive Director of the Company on 17 September 2021 and resigned on 22 April 2022. Mr. Li is responsible for providing strategic advice on the overall development of the 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

3. Independent non-executive Directors

Mr. Hao Jiming (郝吉明), aged 75, was appointed as an independent non-executive Director on 17 September 2021, with effect from 22 March 2022. He has been appointed as a member of the Audit Committee and the Remuneration and Nomination Committee with effect from 30 March 2022. 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cai Hongping (蔡洪平), aged 67, was appointed as an independent non-executive Director on 17 September 2021, with effect from 22 March 2022. He was also appointed as chairman of the Audit Committee and member of the Remuneration and Nomination Committee with effect from 30 March 2022. 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 senior vice president and managing director of Peregrine Investments Holdings Limited from January 1996 to January 1998 and served as the chairman of China of BNP Paribas Capital (Asia Pacific) Limited from January 1998 to December 2005. He also served as the chairman of UBS AG in Asia from January 2006 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 April 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: 01211, 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: 02866, and listed on the Shanghai Stock Exchange, stock code: 601866) since June 2016, 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, and an independent non-executive director of China Oceanwide Holding Limited (中泛控股有限公司), 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Dai Xiaohu (戴曉虎), aged 59, was appointed as an independent non-executive Director on 17 September 2021, with effect from 22 March 2022. He has been appointed as a member of the Audit Committee, the chairman of the Remuneration and Nomination Committee and a member of the Strategy, Sustainability and Risk Management Committee with effect from 30 March 2022. 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 March 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(II) SENIOR MANAGEMENT

1. Senior Management

For biographical details of Mr. Shu Mao, Mr. Wan Changbao and Mr. Zhang Keke, please refer to the section headed "(I) DIRECTORS — 1. Executive Directors".

Mr. Zhang Bangzhi (章邦志), aged 49, was appointed as the assistant general manager of the Company on 17 September 2021. 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 the Group, Mr. Zhang served as 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, the assistant to the director of development department in Anhui Conch Holdings and the deputy director of strategy department in Conch Venture in 2014. Mr. Zhang graduated from Anhui Vocational and Technical College (安徽職業技術學院), 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), in December 1998.

Mr. Wang Jianli (王建禮), aged 58, was appointed as the chief engineer of the Company on 17 September 2021. Mr. Wang has over 30 years' experience in process design and technological upgrading of building materials industry. Mr. Wang has served as the general manager of Yaobai Environmental since December 2015, and was also appointed as the chairman of the board of directors of Yaobai Environmental in March 2021. Prior to joining the Group, Mr. Wang served as the chief engineer, deputy general manager and vice president in Yaobai Special Cement, and the director and chief engineer of West China Cement Limited (中國西部水泥有限公司). Mr. Wang graduated from Luoyang Institute of Science and Technology (洛陽理工學院) in cement process in December 1982, and obtained a bachelor's degree in engineering in industrial electrical automation from Xi'an University of Technology (西安理工大學) in December 1988. He 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.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(I) ABOUT THIS REPORT

1. Overview

This report is the first environmental, social and governance ("**ESG**") report published by Conch Environment after its Listing, which outlines the strategies, policies, measures and achievements of the Group in the ESG aspects for 2021 and discloses information about the ESG performance of the Company.

2. Reporting Period

The reporting period covers the information and data of the Company from 1 January 2021 to 31 December 2021.

3. Basis of Preparation

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Stock Exchange.

4. Scope of Report

The policies and data provided in the report cover the Group, and the scope of the report is consistent with that of the annual report. Unless otherwise stated, the currency used in the report is RMB.

5. Sources of Information and Assurance of Reliability

The data and examples in the report were mainly derived from the Group's statistical reports and relevant documents. The Board of Directors of the Company undertakes that this report does not contain any false records or misleading statements and is responsible for the truthfulness, accuracy and completeness of its contents.

6. Confirmation and Approval

This report was confirmed by management and approved by the Board of Directors on 22 April 2022.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(II) RESPONSIBLE OPERATION

Conch Environment always attaches great importance to corporate governance. On 30 March 2022, we were officially listed on the HKEX. We have the Strategy, Sustainability and Risk Management Committee to be responsible for the ESG-related matters, and an ESG Working Group headed by Mr. Wan Changbao, the executive Director and Executive Deputy General Manager of the Company, has been established to provide assistance and implement ESG-related strategies, indicators, targets and management policy, etc. The Strategy, Sustainability and Risk Management Committee assists the Board of Directors to oversee ESG governance, ensures the implementation of ESG policies, monitors ESG-related performance and targets, adjusts ESG strategies as appropriate and prepares the ESG report. The details are as follow:

Support the Board of Directors in implementing the agreed ESG policies, objectives and strategies, conduct materiality assessments of ESG-related risks and adjust business development directions with respect to climate change risk identification; and take charge of correcting deviations from ESG objectives and contacting all relevant departments (e.g. environment and safety department) to take rectification measures in a timely manner.

Be responsible for preparing ESG reports, communicating with stakeholders, and continuously monitor ESG-related risks and responsibilities of the Group.

Regularly report the Group's ESG performance, the effectiveness of the ESG governance structure and ESG-related recommendations to the Board of Directors through board meetings.

1. Business Information Protection

Conch Environment attaches great importance to information security and trade secrets between the Company and its customers and partners. In order to ensure the security of internal office information of the Company, we have built a collaborative office platform within the company through cooperation with Shanghai Weaver Network Co., Ltd., a well-known company in the industry, and all production data and office information are uploaded to the cloud to ensure the confidentiality and stability of the Company's data. In order to ensure the security of commercial information of the Company, we have offline backups and a file room for unified management. In addition, in order to raise employees' awareness of office security, we provide information security-related training to new employees and specify behavioral requirements in the employee handbook. During the Reporting Period, there was no material incident of information security or leakage of trade secret.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Anti-Corruption and Anti-Fraud

Conch Environment strictly complies with the *Criminal Law of the People's Republic of China* (中華人民共和國刑法), the *Company Law of the People's Republic of China* (中華人民共和國公司法), the *Anti-Unfair Competition Law of the People's Republic of China* (中華人民共和國反不正當競爭法) and other relevant laws and regulations, and abides by internal systems such as the *Implementation Guidelines for Anti-Fraud Measures (Trial)* (反舞弊工作實施指引(試行)) and the *Measures for the Management of Complaints and Reports (Trial)* (投訴舉報管理辦法(試行)). There are explicit rules on the acts of the internal and external personnel involving fraud, bribery and kickbacks, corruption and misappropriation of fund of the Company for improper personal benefits and to the detriment of economic interests of the Company, so as to strengthen internal control and governance, safeguard the legitimate interests of the Company, ensure the achievement of business objectives and the sustainable, stable and healthy development of the Company, and protect the legitimate interests of shareholders. During the Reporting Period, Conch Environment experienced no lawsuits regarding corruption.

During the Reporting Period, a total of nine board members attended two hours of online and offline anti-corruption training, and a total of 120 employees attended anti-corruption training and watched anti-corruption-related multimedia materials.

3. Communications with Stakeholders

During the Reporting Period, through internal and external analysis and interviews with various departments, we identified six groups of key stakeholders that reflect our economic, environmental and social impacts. During the Reporting Period, we further improved our communication channels and means of communication with our stakeholders and responded positively to the demands we learned through participation in various industry conferences, academic meetings and other large-scale communication activities.

Stakeholders	Issues of Concern	Communication Channels
Shareholders and investors	Anti-corruption Compliant operation Greenhouse gas emissions Energy efficiency Risks of climate change Opportunities in cleantech Occupational health and safety	Annual report and interim report Results release conference Shareholders' meetings Listed company exchange sessions Daily communication Questionnaire
Employees	Occupational health and safety Employee training and development Employee benefits Child labour and forced labour	Employee training and activities Employee satisfaction survey Internal journal and information sharing platform

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

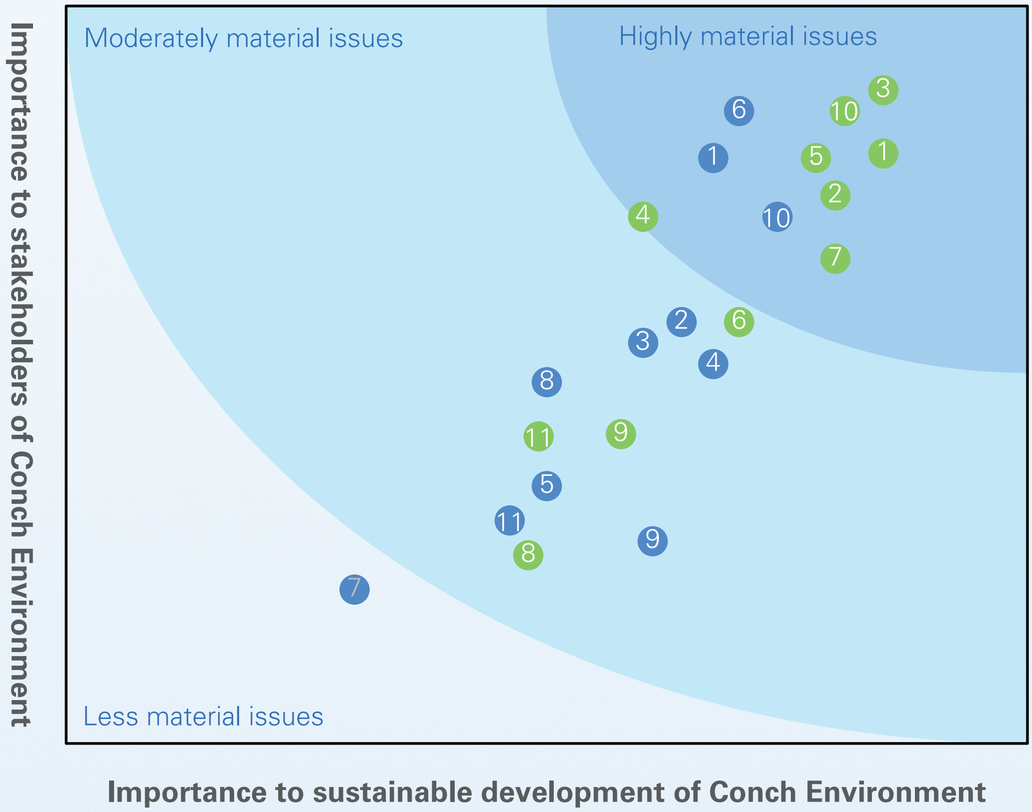
Stakeholders	Issues of Concern	Communication Channels
Government and regulatory bodies	Occupational health and safety Exhaust gas emissions Wastewater discharge Hazardous waste disposal Non-hazardous waste disposal Environmental education Anti-corruption Child labour and forced labour Product quality and safety Water resources management	Government-organized meetings Announcements and press releases Annual report and ESG report Regular communication Report approval
Partners and suppliers	Supply chain management Consumption of materials	Survey and investigation Supplier assessment Supplier training Supplier audit Technical Training Daily/online communication
Customers	Customer privacy Customer service	Professional academic conference Customer satisfaction survey Customer service hotline Strategic cooperation
Social organizations	Community building Product quality and safety Compliant operation Exhaust gas emissions Wastewater discharge Hazardous waste disposal Non-hazardous waste disposal Environmental education Greenhouse gas emissions Risks of climate change Opportunities in cleantech Water resources management	Press releases and announcements Charitable activities Public press conference Official website and WeChat public account Media interview and communication

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Materiality Matrix

Conch Environmental has identified 22 material ESG issues, including employee health and safety, employee training and development, greenhouse gas emissions and exhaust gas emissions, and has drawn a matrix of material issues.

2021 Material ESG Issues Matrix of Conch Environment



Environmental issues		Governance and social issues	
1	**Greenhouse gas emissions**	**1**	**Anti-corruption**
2	**Exhaust gas emissions**	2	Employee training and development
3	**Opportunities in cleantech**	3	Employee benefits
4	**Water resources management**	4	Child labour and forced labour
5	**Hazardous waste disposal**	5	Supply chain management
6	Wastewater discharge	**6**	**Occupational health and safety**
7	**Energy efficiency**	7	Community building
8	Consumption of materials	8	Product quality and safety
9	Non-hazardous waste disposal	9	Customer privacy
10	**Risks of climate change**	**10**	**Compliant operation**
11	Environmental education	11	Customer service

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(III) GREEN DEVELOPMENT

1. Environmental Management

(1) Environmental compliance management

Conch Environmental strictly abides by the relevant laws and regulations of the places where it operates, such as the *Environmental Protection Law of the People's Republic of China* (中華人民共和國環境保護法), the *Air Pollution Prevention and Control Law of the People's Republic of China* (中華人民共和國大氣污染防治法), and the *Water Pollution Prevention and Control Law of the People's Republic of China* (中華人民共和國水污染防治法), to ensure environmental compliance of operation. During the Reporting Period, we collaborated with Conch Holdings to complete the environmental protection inspection organized by the Department of Ecology and Environment of Anhui Provincial, and the Group was not aware of any material environmental non-compliance cases.

At the same time, we actively pursue the certification of our environmental management system, arrange relevant departments and staff to prepare and revise management manual, procedural documents, technical specifications and other documents from the aspects of laws and regulations, equipment capacity, technical level, etc., and undertake comprehensive review of the implementation of system requirements and rectification through setting management objectives, refining target indicators, strengthening target assessment and promoting the implementation of rectification, to maintain compliance of the environmental management system of the Company. During the Reporting Period, all 16 subsidiaries of Conch Environment obtained ISO 14001 Environmental Management System certification.


Certificate
环境管理体系认证证书

证书编号：10921E10379R0M

国检集团

兹证明

安徽海螺环保集团有限公司
注册地址：安徽省芜湖市鸠江区江北产业集中区皖江大道9号1#楼102室
统一社会信用代码：91340200MA2UY0A4XN(1-1)

建立和实施的环境管理体系符合标准：
GB/T 24001-2016/ISO 14001:2015

认证范围：
位于安徽省芜湖市弋江区九华南路1007号芜湖海螺国际会议中心的有关固体废弃物处理项目的投资、管理、环保新技术的研究和转化应用相关的环境管理活动

涉及本证书的范围和GB/T 24001-2016/ISO 14001:2015要求的适用性问题，可通过向该组织或本公司咨询而得到进一步的澄清。在证书有效期内，获证组织必须定期接受监督审核并经审核合格，此证书方继续有效。本证书信息可在国家认证认可监督管理委员会公示的网站（www.cnca.gov.cn）上查询或从本公司网站（www.ctc.ac.cn）上查询。
公司地址：北京市朝阳区管庄东里1号 100024

发证日期：2021年12月2日 有效期至：2024年12月1日
换发日期：********

签发人：
中国国检测试控股集团股份有限公司
认证专用章
11010510157914

国检集团
ISO14001

中国 北京市朝阳区管庄东里1号 100024 网址：www.ctc.ac.cn

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(2) Compliance awareness training

The Group is committed to building a corporate culture of green and sustainable operation and enhancing the qualification and skills of our employees in the field of environmental protection. Through various environmental protection training and promotional activities, we have explained the latest environmental protection laws and policies to our employees and specified the environmental protection requirements for our production and operation, which has further enhanced our employees' awareness of environmental protection and compliant operation and has played a positive role in promoting the implementation of various environmental protection work in our production and operation activities.

Conch Environment invited external experts to organize environmental protection training for employees

In order to strengthen the study of laws and regulations on environmental protection and improve the standard of operation of environmental protection management personnel of the Company, in July 2021, the Company invited relevant environmental protection experts from strategic cooperation units to conduct a special training on environmental protection knowledge. About 30 management personnel from relevant departments of the Company and Haizhong Environmental attended the training on site. The training instructor analyzed and provided guidance on the key issues of environmental protection management of the Company through case studies, and had discussion and exchange based on the participants' own experience.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Climate Change

(1) Energy management

The main types of energy used by Conch Environment include liquefied petroleum gas, natural gas, coal, gasoline, diesel and purchased electricity. In particular, purchased electricity is mainly used for the production and operation of solid waste treatment and office administration. Gasoline is mainly used in machinery and equipment and logistics and transportation of waste. In order to reduce energy consumption, during the Reporting Period, we developed an annual plan of energy consumption based on our production and operation plans and taking into account the business and production characteristics of each subsidiary, and continuously tracked energy consumption; at the same time, we formulated the Annual Plan of Production and Operation (年度生產經營綜合計劃) to appropriately manage energy use, control energy consumption, and minimize greenhouse gas emissions while improving production and operation efficiency.

(2) Promote energy saving and carbon reduction

Target: Conch Environment will continue to promote the construction of a green production and operation system, and continue to improve energy efficiency and reduce energy consumption and greenhouse gas emissions through technological upgrades and transformations in the production and operation process, use of energy-saving equipment, optimization of equipment configuration, and development and application of energy-saving technology.

Technical transformation	Equipment upgrade	System optimization
• Completed a number of technological transformations such as hot disc furnace, terrace furnace and double dropping to increase hourly output of slurry and slag machine, improve fuel substitution rate, and reduce coal consumption	• Replaced the original pneumatic diaphragm pump with a peristaltic pump to reduce the operation of air compressor, improve treatment capacity and reduce power consumption of the waste liquid system	• Optimized the terrace furnace and connected air cannon control system at the three air ducts to the central control room to improve efficiency and facilitate exploration of different materials combustion efficiency, energy saving and consumption reduction • Optimized the oxygen index range of nitrogen protection system to save the compressor start-up load time and reduce electricity consumption

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, we carried out a total of 30 energy-saving technical transformation projects in the cement kiln co-processing of solid waste and hazardous waste, and invested a total of RMB337.70 million in equipment upgrade and improvement, mainly through the installation of electric meters, improvement of key equipment such as terrace furnace, double dropping process and shaftless reamer, to enhance operational efficiency. During the Reporting Period, our energy consumption and greenhouse gas emissions were as follows:

Types of energy	**Unit**	**Consumption for 2021**
Natural gas	Standard cubic meter	2,715,528
Liquefied petroleum gas	Kilogram	507
Coal	Tonne	256
Diesel	Litre	4,584,867
Gasoline	Litre	444,660
Purchased electricity	MWh	86,152

Energy consumption	**Unit**	**Data for 2021**
Direct energy consumption	MWh	80,402
Indirect energy consumption	MWh	86,152
Total energy consumption[1]	MWh	166,554
Energy consumption per revenue	MWh/thousand RMB	0.10

Greenhouse gas emissions	**Unit**	**Data for 2021**
Scope I[2]	Tonne CO_2e	19,561
Scope II[3]	Tonne CO_2e	55,321
Total greenhouse gas emissions	Tonne CO_2e	74,882
Greenhouse gas emissions per revenue	Tonne CO_2e/thousand RMB	0.04

1 The calculation of energy (direct + indirect) consumption indicators was based on the national standard of the People's Republic of China such as the *General principles for calculation of total production energy consumption* (GB2589-2020), etc.

2 The calculation of scope 1 greenhouse gas emissions was based on the *Greenhouse Gas Protocol (GHG Protocol)* published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* published by the Intergovernmental Panel on Climate Change (IPCC). The main sources of scope 1 greenhouse gas emissions 1 were natural gas, liquefied petroleum gas, coal, diesel and gasoline.

3 The calculation of scope 2 greenhouse gas emissions was based on the *2012 Baseline Emission Factors for Regional Power Grids* in China. The main source of scope 2 greenhouse gas emissions was purchased electricity.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) Addressing climate change

As we continue to grow our business, we are keenly aware of the urgent need to address climate change. During the Reporting Period, we completed the preliminary identification of risks of climate change in accordance with the guidance from TCFD (Task Force on Climate-related Financial Disclosures) and with reference to national policies and regional plans based on the geographical location of our operations. We have also assessing a series of risks related to the Group's business and formulated targeted countermeasures, and proactively explored the direction of low-carbon transformation while reduce future risks, so as to continuously enhance our low-carbon development capability.

During the Reporting Period, we identified the following risks and opportunities related to climate change:

Risk category	Item	Description	Countermeasures
Policy and law	Enhanced emissions-reporting obligations	With the improvement and implementation of management measures on carbon emission and carbon trading, higher requirements have been put forward at home and abroad for Conch Environment's reporting of emissions. At the same time, with the introduction of HKEX's new ESG reporting regulations, there have been higher requirements for reporting on greenhouse gas emissions, emission reduction measures and the environmental impact of operations.	Conch Environment strengthened the management of environmental data, enhanced data-collection instruments, regularly collected and reviewed environmental data, performed carbon verification and disclosed the data as required. On the other hand, Conch Environment adjusted its operation plan in accordance with the actual situation and based on the emission target and energy consumption plan.
Chronic risk	Sea level rise	Some of our operations are located in coastal provinces in China, where sea level rise could lead to damage to facilities and higher infrastructure costs.	Conch Environment evaluated the surrounding conditions of the operation sites, and took timely measures to strengthen infrastructure construction; and also included this risk as an important factor in site selection when investing in new plants in the future.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk category	Item	Description	Countermeasures
Acute risk	Increased severity of extreme weather events such as typhoons and floods	Some of our operations are located in areas prone to tropical cyclones, hurricanes/ typhoons and flooding, such as coastal provinces in China, where extreme weather events could damage buildings, infrastructure engineering and test equipment, resulting in damage to property and assets. Suppliers may not be able to provide services in a timely manner due to extreme weather events, resulting in business interruption. Extreme weather events could impact workforce safety and affect workforce management and planning. Increased severity of extreme weather events may result in higher premiums.	In respect of architectural design, Conch Environment took into account the impact of extreme weather and improved the ability to withstand extreme weather events. In respect of operation, Conch Environment developed a risk response mechanism for extreme weather, optimized the risk management process for extreme weather, and conducted emergency drills on a regular basis.

3. Emissions Management

(1) Exhaust gas management

Conch Environmental complies strictly with relevant laws and regulations, such as the *Standard for pollution control on co-processing of solid wastes in Cement kiln* (水泥窯協同處置固體廢物污染控制標準) and *Integrated emission standard of air pollutants* (大氣污染物綜合排放標準). The emissions of Conch Environment are mainly generated from the combustion of different types of waste in production and operation, exhaust gas emissions from waste transportation vehicles as well as production and manufacturing processes. Major production emissions controlled by us include hydrogen chloride and hydrogen fluoride, while other emissions are controlled and disposed of by cement kilns and other cooperative enterprises; and logistics and transportation emissions mainly contain nitrogen oxides, sulfur oxides and particulate matter.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a comprehensive pollutant monitoring and management system and regularly conducts self-monitoring of pollutants such as hydrogen chloride and hydrogen fluoride to ensure the compliance of all units of the Group in terms of pollutant emissions. In addition, the Group requires its subsidiaries to strictly enforce operating procedures and strengthen operational management to reduce dust and secondary dust emissions in all sessions of production process and to eliminate the occurrence of abnormal emissions or excessive emissions of air pollutants due to human operations, and at the same time, to keep a good account of the operation of equipment related to emission control to manage exhaust gas emissions efficiently.

Total exhaust gas emissions and air pollutants generated by Conch Environment during the Reporting Period were as follows:

Exhaust gas	**Unit**	**Total for 2021**
Hydrogen chloride (HCl) emissions	Tonne	362
Hydrogen fluoride (HF) emissions	Tonne	69

Air pollutants[4]	**Unit**	**Total for 2021**
Nitrogen oxide (NO_x) emissions	Tonne	43.81
Sulphur oxide (SO_x) emissions	Tonne	0.07
Particulate matter (PM) emissions	Tonne	4.34

(2) Wastewater management

Conch Environment strictly complies with the requirements of the *Water Pollution Prevention and Control Law of the People's Republic of China* (中華人民共和國水污染防治法) and other laws and regulations to ensure the compliance in terms of wastewater discharge. During the Reporting Period, wastewater generated during the production process of the cement kiln co-processing and industrial solid and hazardous waste treatment mainly include rinsing wastewater and laboratory wastewater. As all wastewater were fed into the kilns, no wastewater were discharged.

[4] The air pollutant emissions mainly generated from transportation vehicles and were calculated with reference to the Vehicle Emission Calculation (VEC) model of the Environmental Protection Department of Hong Kong (EMFAC-HK) and the MOBILE6.1Particulate Emission Factor of the United States Environmental Protection Agency.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) Waste management

Target: Conch Environmental will continue to optimize its waste management system, processes and measures to ensure 100% compliance of hazardous waste treatment and maximize the recycling rate of non-hazardous waste.

Conch Environment complies strictly with the Law of the *People's Republic of China on the Prevention and Control of Solid Waste Pollution* (中華人民共和國固體廢物污染環境防治法), *National Catalogue of Hazardous Wastes (2021 Revision)* (國家危險廢物名錄(2021年版)), *Identification Standard for Solid Waste (GB34330)* (固體廢物鑒別標準(GB34330)) and other laws and regulations of the places where it operates, and manages the whole process of waste generated in the course of living and production operations, including waste collection, sorting, temporary storage, and compliant disposal. We generate a small amount of hazardous waste, which mainly include waste oil and waste activated carbon. In accordance with the requirements of relevant laws and regulations, hazardous waste is passed to qualified and competent recyclers for proper disposal to prevent pollution transfer, and such disposal are tracked and recorded in a strict manner.

Conch Environment has been making unremitting efforts to continuously reduce the waste generation through technological upgrades and process optimization to reduce the impact of waste emissions on the environment at source. During the Reporting Period, the main types and amount of solid and hazardous waste generated by Conch Environment are as follows:

Types of non-hazardous waste	Unit	Total for 2021
General solid waste generated (recyclable)	Tonne	13,069
General solid waste generation (non-recyclable)	Tonne	96
Total general solid waste generated	Tonne	13,154
General solid waste generated per revenue	Tonne/thousand RMB	0.008

Types of hazardous waste	Unit	Total for 2021
Total hazardous waste generated	Tonne	36,758
Hazardous waste generated per revenue	Tonne/thousand RMB	0.022

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(4) Water resources management

Target: Conch Environment will continue to optimize its water conservation mechanisms, upgrade water conservation equipment, promote water recycling, and raise awareness of water conservation to ensure efficient use of water resources.

Conch Environment complies strictly with the *Water Law of the People's Republic of China* (中華人民共和國水法), the *Regulations on Water Abstraction Permits and Water Resources Fee Collection* (取水許可和水資源費徵收管理條例), and other laws and regulations and related systems in the places where it operates, and sources water in an appropriate manner.

Our main sources of water include municipal water, reclaimed water from sewage plants and surface water. Municipal water is mainly used for daily office operation and furnace. Reclaimed water from sewage plants and surface water are mainly used for circulating cooling water and firefighting. We advocate reducing the use of water resources at source and continuously promote the reuse of water from the recycling end. During the Reporting Period, we continued to improve the efficiency of our water resources utilization by upgrading water-saving equipment, applying water-saving technologies and promoting recycling.

The type and total amount of water resources used by Conch Environment during the Reporting Period are as follows:

Type of water resources	Unit	Total for 2021
Tap water consumption	Tonne	102,696
Tap water consumption per revenue	Tonne/thousand RMB	0.06

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(IV) MAKING PROGRESS TOGETHER

Conch Environment adheres to the concept of "people-oriented" and regards employees as the important cornerstone for the prosperous development of the enterprise. We protect and safeguard the rights and interests of our employees, implement fair and transparent recruitment management, and continuously improve employee training and development system to realize mutual development of the Company and its employees. At the same time, we actively create a harmonious and safe working environment, care about the lives of our employees, and provide them with various remuneration and welfare benefits and caring activities, so that Conch Environment and its employees become one to light the path forward.

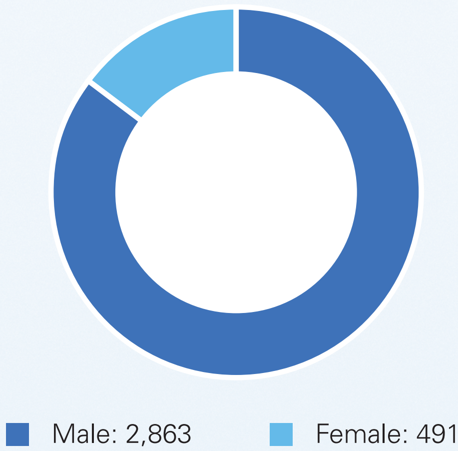
1. Employee Recruitment

We strictly abide by the *Labour Law of the People's Republic of China* (中華人民共和國勞動法), the *Labor Contract Law of the People's Republic of China* (中華人民共和國勞動合同法), the *Employment Promotion Law of the People's Republic of China* (中華人民共和國就業促進法), the *Special Rules on Labour Protection of Female Employees* (女職工勞動保護特別規定), the *Trade Union Law of the People's Republic of China* (中華人民共和國工會法), the *Law of the People's Republic of China on the Protection of Minors* (中華人民共和國未成年人保護法) and the *Provisions on the Prohibition of Using Child Labour* (禁止使用童工規定), and other relevant laws and regulations in the places we operate, to protect the rights and interests of our employees in all aspects. We always adhere to the concept of diversity and the principle of equality and fairness, and are committed to the implementation of the policy of equal pay for equal work and humane employment for both men and women. We fully respect and protect the rights of minority employees, especially the rights of women and employees in difficulty, and prohibit all forms of child labour and forced labour, as well as any form of employee discrimination, harassment and threats, in order to fully protect the rights and interests of employees. During the Reporting Period, we were not aware of any use of child labour or forced labour.

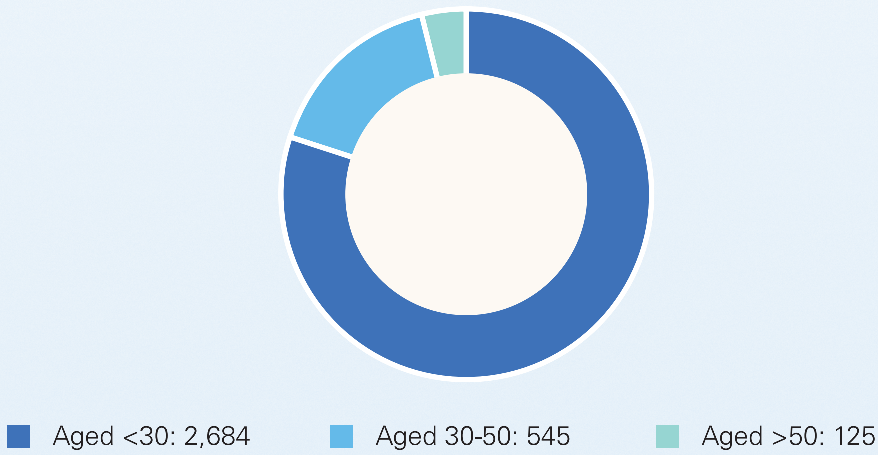
9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at the end of the Reporting Period, the Group had 3,445 employees, including 3,354 full-time employees under labour contracts and 91 labor workers. 838 new full-time employees were hired during the Reporting Period. The breakdown of employees[5] is as follows:

Breakdown of employees by gender



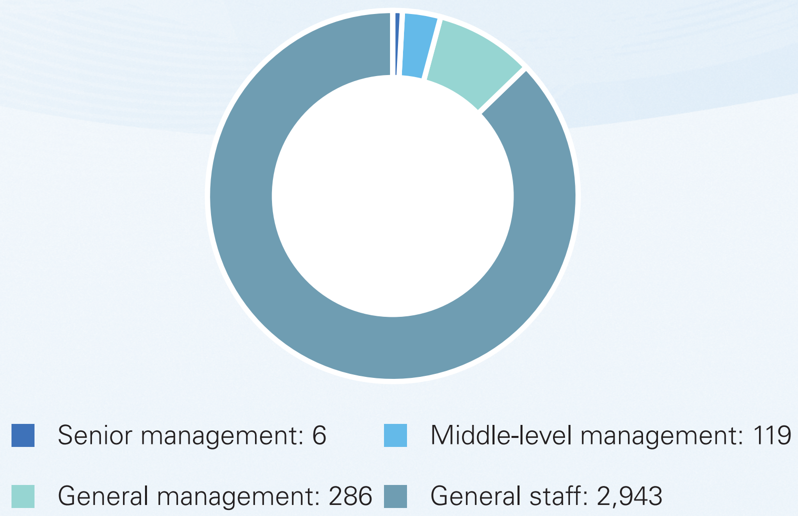
Breakdown of employees by age group



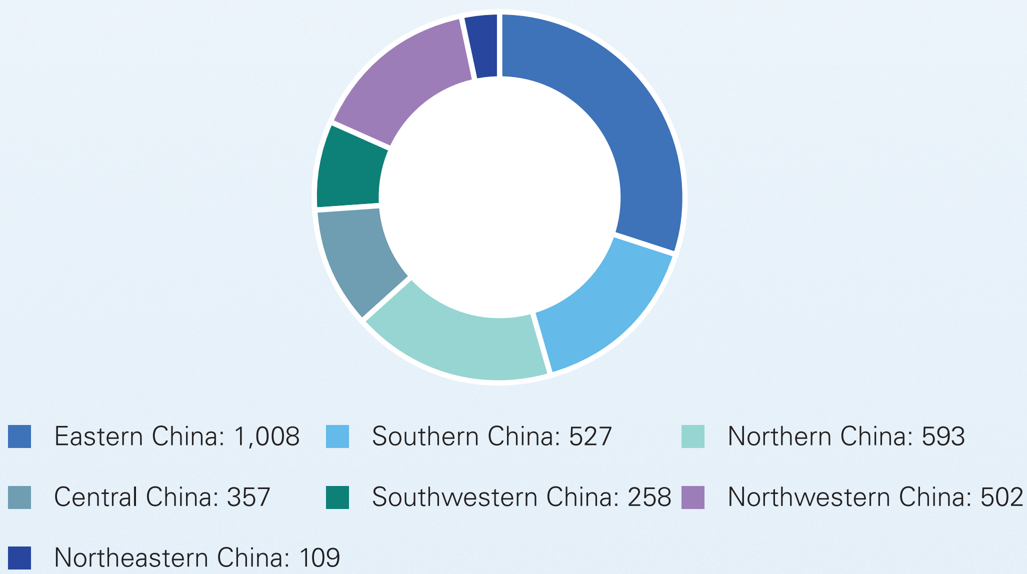
[5] The breakdown of employees did not include labor workers.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Breakdown of employees by position

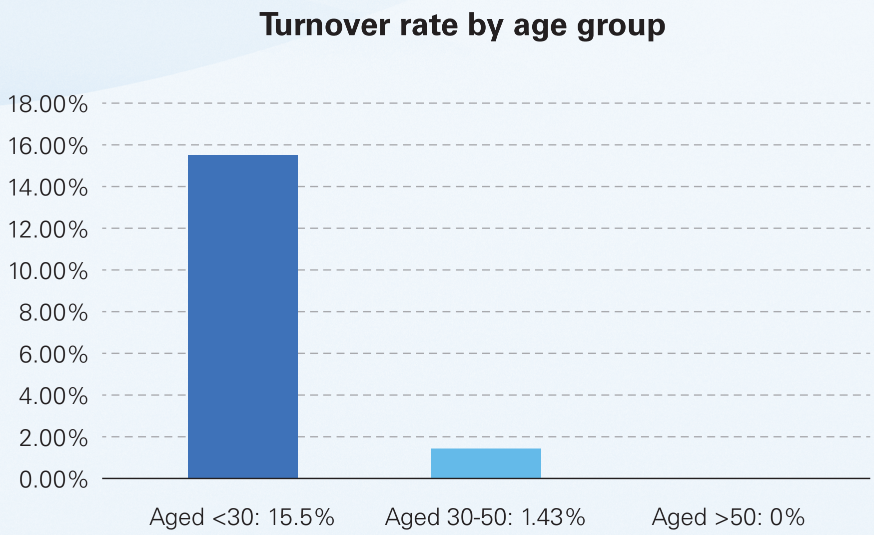


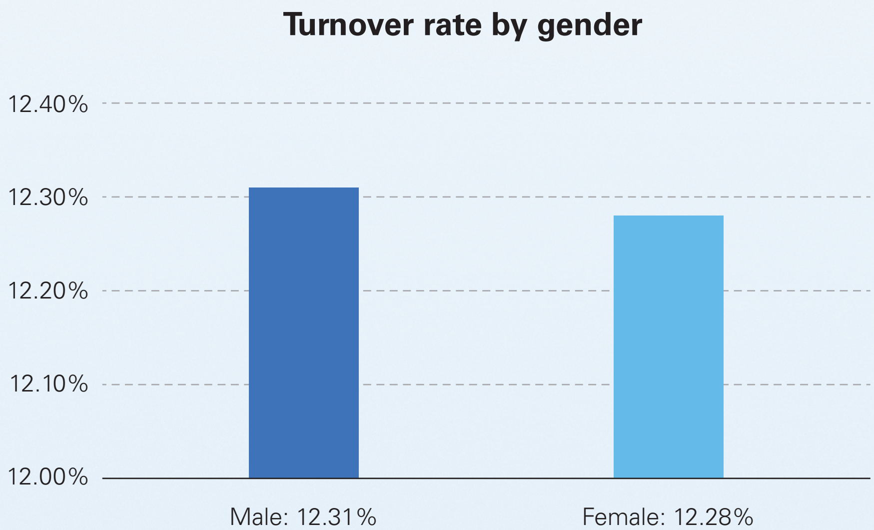
Breakdown of employees by geographical location



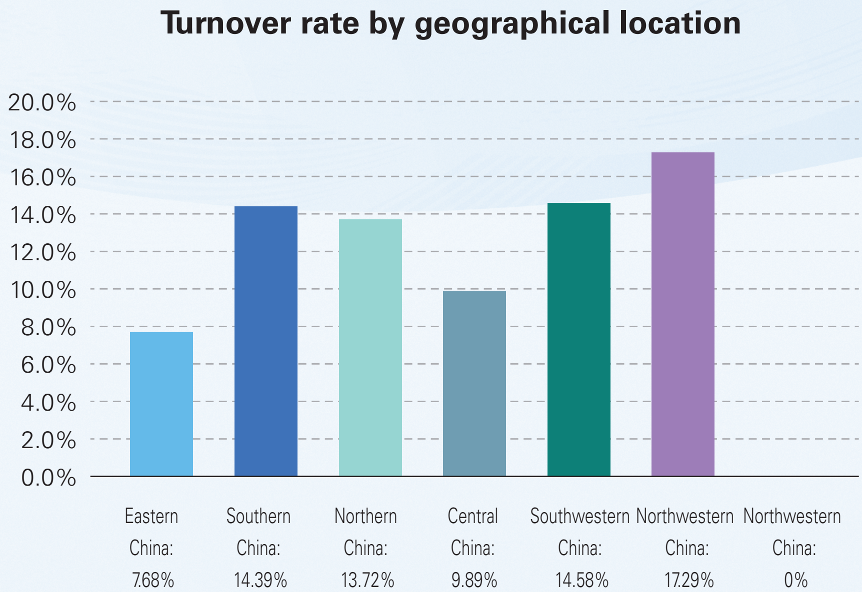
9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, our employee turnover rate was 12.31%. The employee turnover rates of different groups are as follows:





9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

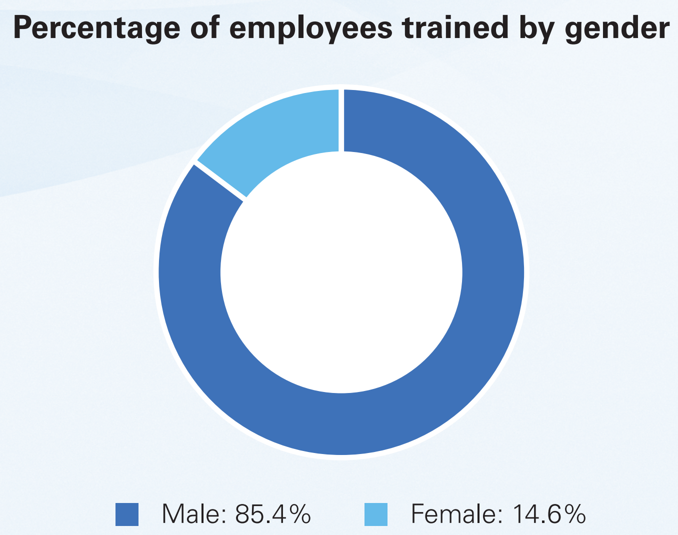


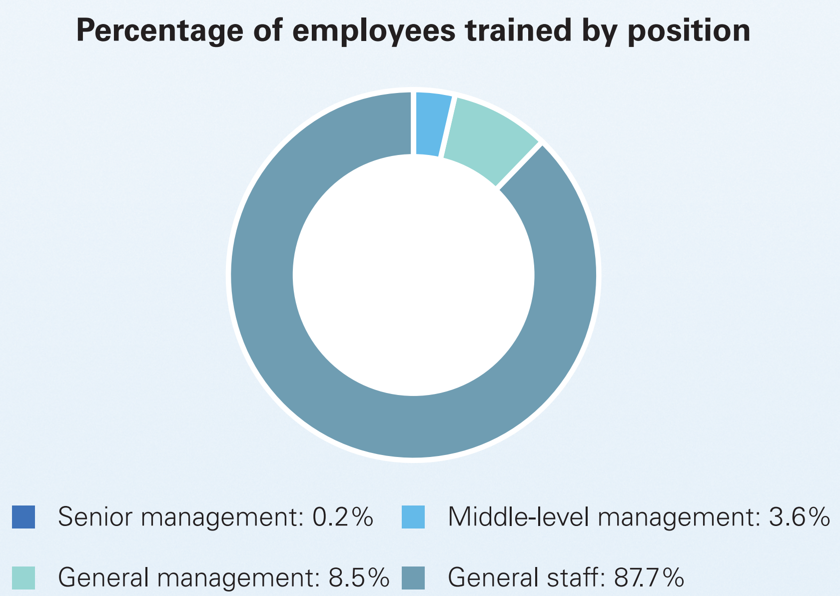
2. Employee Training

In order to further enhance the professional ability of our employees and increase their understanding of our corporate culture, we have formulated and improved our annual training plan in accordance with the *Implementation Rules for Employee Training Management* (員工培訓管理實施細則) and based on the needs of various employee positions, developed targeted employee training programs to fully meet the individual needs of employees' career development, and provided them with a wide range of learning platforms and resource support. During the Reporting Period, we organized a series of training activities, including corporate culture training, skills training and new employee training.

During the Reporting Period, 100% employees of the Group received training, with total training and development hours of 563,472 and average training hours of 168 hours per employee, which is consistent with the average training hours for different genders (male and female) and positions (senior management, middle-level management, general management and general staff).

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Employees' Health and Safety

Conch Environment believes that the health and safety of employees is the foundation of corporate development and productivity improvement. We attach great importance to safety management during production and occupational health of employees, and regard the protection of employees' health and safety are fundamental to enterprise survival. We continuously improve our occupational health and safety management system to ensure orderly, legal and compliant production and to provide a safe, comfortable and healthy working environment for our employees.

We always adhere to the safety production approach of "prioritising safety, emphasising prevention and managing comprehensively" and strive to improve our ability to prevent and respond to safety incidents. Conch Environment complies strictly with the *Law of the People's Republic of China on Work Safety* (中華人民共和國安全生產法), *Law on the Prevention and Control of Occupational Diseases* (職業病防治法), *Measures for the Administration of Contingency Plans for Work Safety Accidents* (生產安全事故應急預案管理辦法) and other laws and regulations in the places where we operate, and we have also established and continuously improved a series of safety production-related systems within the Group, including the *Safety Management System for On-site Operations* (現場作業安全管理制度), *Safety Management System for Related Parties and Outsourced Workers* (相關方及外用工安全管理制度) and *Safety Management System for Equipment and Facilities* (設備設施安全管理制度) to ensure safe production.

During the Reporting Period, our expenditure for protection of occupational health of our employees amounted to approximately RMB18.26 million and we achieved the safety production objectives for the year without any work-related fatalities.

Indicator	**2021**	2020	2019
Work-related fatalities/person	**0**	0	0
Percentage of work-related fatalities/%	**0**	0	0
Number of lost days due to work injury/day	**124**	/*	/*

*Note: According to KPI B2.2 of the Environmental, Social and Governance Reporting Guide (see appendix), no statistics and disclosure were required.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(V) EMPOWERING THROUGH INNOVATION

Conch Environment believes that research and development and innovation are fundamental to the survival and development of an enterprise. As a representative enterprise in the field of environmental protection, we are committed to investing in research and development and innovation, optimizing technology and processes, continuously improving the level of utilization of waste, and promoting the sustainable development of the environmental protection industry. During the Reporting Period, we conducted 13 research projects covering cement kiln co-processing capacity enhancement, fly ash treatment diversification, industrial waste treatment and other related topics, and made considerable progress.

Study on the Enhancement of Capacity of Cement Kiln Co-processing of Solid Waste

Cement kilns co-processing enables hazard-free treatment of solid waste while producing cement clinker, and the various types of solid waste after pre-treatment can be used as alternative fuels or alternative raw materials for cement kilns, which can effectively reduce the consumption of fossil fuels and the development of cement raw material resources and realize "reduction, hazard-free treatment and reclamation".

Therefore, how to improve the operational quality of cement kiln co-processing of solid waste has become an ongoing research topic for Conch Environment. During the Reporting Period, we carried out two studies on the improvement of cement kiln co-processing of solid waste: firstly, solid waste directly enter the decomposer after pre-treatment: by strengthening the control of pre-treatment, identifying the suitable range of parameters such as calorific value, increasing the stable feeding system in a targeted manner, and studying the suitable feeding position, the impact on the cement kiln system was reduced effectively and the solid waste co-processing capacity was improved; secondly, final treatment of solid waste entering the cement kiln after the treatment of hot residue and tail gas in the pre-combustion furnace was studied.

In order to effectively improve the productivity of cement kilns co-processing of solid waste and optimize the operational efficiency of projects, we conducted research on technologies related to pre-combustion and pre-treatment of solid waste, which were applied in more than ten projects of the Group and further improved the quality of project operation. Based on the feedback from the technical reform, we achieved a significant increase in solid waste treatment capacity during the Reporting Period, which further reduced the impact of the cement kiln system and effectively reduced the fossil fuel consumption of the cement kiln system, and laid a solid foundation for the future development of carbon emission reduction related business in the cement industry.

Research on Technology for Reclamation of Municipal Sludge

In recent years, sewage treatment generates a large amount of activated sludge which have a high water content and are difficult to dewater. There has not been a mature process to meet the demand of hazard-free treatment, and thus the reduction and hazard-free treatment of sludge have long been a challenge for the industry. In view of the above, the research institute of Conch Environment has carried out research on municipal sludge reclamation, reduction and hazard-free treatment technologies and identified some cost-effective sludge reduction and treatment technologies, which were put into practice in subsequent projects. The research results were successfully applied to the sludge treatment project in Chaohu during the Reporting Period.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, our research and development investment is as follows:

Performance indicator	Unit	2021
Research and development investment	RMB million	1.41
Percentage of research and development investment in sales revenue	%	0.08

1. Intellectual Property Protection

Conch Environment strictly abides by the laws and regulations such as the *Trademark Law of the People's Republic of China* (中華人民共和國商標法) and the *Patent Law of the People's Republic of China* (中華人民共和國專利法), and constantly improves its intellectual property management system and strengthens the management of trademark registration and patent research and development. In addition, we conduct regular training on intellectual property rights to strengthen employees' awareness of intellectual property protection. We encourage employees to prohibit and report all kinds of infringements, and earnestly safeguard the legitimate rights and interests of the Company. For those who violate and fail to protect scientific and technological achievements and cause losses, we will hold them accountable in accordance with relevant regulations. While safeguarding our own intellectual property interests, we also advocate partners, customers and other stakeholders to jointly participate in the protection of intellectual property rights and jointly promote the high-quality development of the industry. As of the end of the Reporting Period, we had a total of 68 valid patents, including 2 invention patents, 65 utility model patents and 1 design patent.

2. Quality Assurance

Conch Environment formulates the Annual Plan of Production and Operation (年度生產經營綜合計劃) every year and carries out refined management on major quality control indicators such as solid waste and hazardous waste intake and treatment volume of the solid waste treatment segment to ensure smooth operation of projects. In addition, we continuously promote intelligent management, improve the production and operation supervision center, and build Conch Environment's information management platform, which enables the collection and storage of production data for projects that have been put into production.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Given the complexity and diversity of solid and hazardous waste, we have taken the following measures to ensure that our cement production equipment will not be affected and that our product quality is up to standard:

- Strictly follow the requirements of national laws and regulations, apply for the Operation License for Hazardous Waste (危險廢物經營許可證) and conduct business activities related to solid and hazardous waste treatment in accordance with the list of hazardous waste permitted by the license.
- Strict source control to manage the amount of hazardous components.
- Pre-treat solid and hazardous waste through crushing and blending to ensure the state and size of waste materials fed into kiln meet relevant requirement, so as to reduce the impact on the kiln system.
- Equipped with advanced equipment, and introduce professional technical management personnel.
- Allow hazardous waste input based on contracts, dispatch and conditions and carry out vehicle-by-vehicle acceptance after entering the site.
- Use The advanced compatibility planning system calculate the compatibility of materials fed into kiln to ensure that the quality are under control.

3. Quality Services

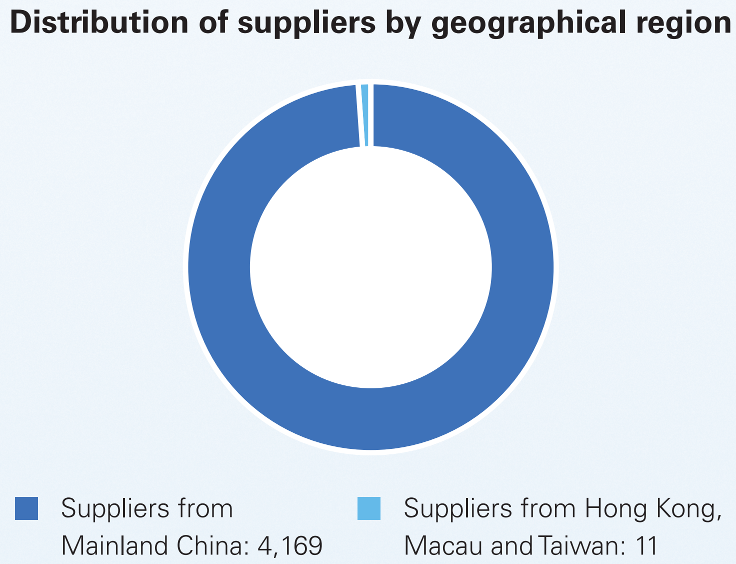
Conch Environmental attaches great importance to customer experience and timely address of customers' demands. We have established a sound customer service mechanism and a comprehensive after-sales service management process to proactively build a bridge of communication with our customers and collect their suggestions and opinions in a timely manner. At the same time, customers and the public may make comments or suggestions on our services through the complaint channels of different business lines of Conch Environment, including hotline, fax, mail and WeChat. We keep the information of complainants strictly confidential and handle customer feedback in an anonymous way to protect the security of customers' privacy while addressing problems. During the Reporting Period, we did not receive any complaints regarding product quality and service.

4. Supplier Admission

Conch Environment attaches great importance to supply chain management and is committed to building a compliant supply chain management system. In respect of supplier admission, we strictly verify and confirm suppliers' qualification, supply capability, quality and other indicators. In addition, we thoroughly examine the management level of suppliers in terms of sustainability aspects, such as compliant management, environmental protection, employees' health and safety, ethics and supervision. We include safety, materials and anti-corruption requirements in our suppliers' contracts and sign integrity agreements with our suppliers, which regulates their behavior.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the same time, we attach great importance to the performance of our suppliers in the area of environmental protection and take relevant indicators into considerations in supplier admission. We urge suppliers to use lead-free and anti-salt spray paint and advocate the use of energy-efficient motors and enhanced equipment inspections. During the Reporting Period, Conch Environment had a total of 4,180 suppliers, with the following distribution:



5. Supplier Management and Evaluation

We implement all-around and whole-process standardized management of suppliers, and we evaluate each supplier every six months on aspects such as quality, safety, progress and coordination ability on site. We give ratings to constructors and project managers, and remove suppliers with lower ratings from the supplier pool and no longer cooperate with them. In addition, we conduct regular environmental inspections and inspect construction sites to ensure compliant operation of suppliers and responsible operation of projects. Besides, in order to better identify and control ESG risks in the supply chain, we review written materials provided by suppliers, including verification of qualification, bank credit certificate and information publicly available, and have the Comprehensive Evaluation Form for Construction Units (建築類施工單位綜合評價表) to check the progress, quality, safety, civilized construction, and information of projects constructed by suppliers, which enables effective control of ESG-related risks.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(VI) COMMUNITY BUILDING

Conch Environment always adheres to the business philosophy that "lucid waters and lush mountains are invaluable assets". Alongside with business development, we actively undertake social responsibility and paid attention to community environment, and we have organized voluntary work for our employees and cooperated with various local governments to empower the community with new momentum and vitality for sustainable development. During the Reporting Period, we received visits from government, enterprises and university students more than 390 times, dedicated 65 hours to charitable activities and made donations of more than RMB120,000.

Conch Environment took an active part in the fight against flood

In July 2021, Zhengzhou City and its surrounding areas suffered serious damage due to continuous heavy rainstorm, and as such, Dengfeng Haizhong Environmental Protection Technology Co., Ltd. (登封海中環保科技有限責任公司) ("**Dengfeng Haizhong**") , a subsidiary of Conch Environment, deployed all its staff and rushed to Zhengzhou City as soon as the rain stopped for disaster relief, contributing to victory of Zhengzhou over the flood. While organizing the rescue and relief work, Dengfeng Haizhong has not forgotten its original intention of serving the people wholeheartedly and fulfilling its corporate social responsibility, and actively participated in the flood fighting and rescue work of the local government and fully cooperated with the government in flood control and flood fighting.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Conch Environment assisted the custom authorities to complete its work

Subsidiaries of Conch Environment actively assisted the customs authorities in various places by effectively handling the waste generated by them and smuggled materials being detained, firmly guarding the first line of defense for the safety of the national ecological environment.

In September 2021, Guiyang Conch Venture Environmental Protection Technology Co., Ltd. (貴陽海創環保科技有限責任公司) actively assisted Gui'an New District Customs to destroy the waste tobacco leaves. Under the supervision of the relevant departments, we assigned designated staff to take charge of the process of discharge, transportation and incineration. On top of proper treatment of solid waste and hazardous waste, by using the new dry process cement kiln incineration technology, resources and energy were saved to a great extent, and the goals of hazardous-free treatment, reduction and reclamation were truly achieved.

Conch Environment completed epidemic-related waste disposal

In November 2021, Yangchun Conch Venture Environmental Protection Technology Co., Ltd. (陽春海創環保科技有限責任公司) ("**Yangchun Haichuang**") was notified by the local ecology and environment bureau to undertake the task of emergency disposal of medical waste during the expansion and upgrade of disposal center and the shutdown of the furnace for inspection and maintenance. In strict accordance with the requirements of the plan, Yangchun Haichuang properly disposed of 30 tonnes of medical waste in Yanjiang, effectively eliminating the occurrence of secondary pollution of medical waste. While completing this task, we also improved our ability in emergency disposal of medical waste and assisted the ecology and environment bureau in improving the emergency management system of medical waste in Yangjiang, thus fulfilling our social responsibility and demonstrating the capability of Conch Environment.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Areas and General Disclosures and KPIs			Sections
Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Development
	KPI A1.1	The types of emissions and respective emissions data.	Green Development — Climate Change Green Development — Emissions Management
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Development — Climate Change
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Green Development — Emissions Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Development — Emissions Management
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Green Development — Climate Change
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Development — Emissions Management

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Areas and General Disclosures and KPIs			Sections
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Development — Emissions Management
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Development — Climate Change
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Development — Emissions Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Development — Climate Change
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Development — Emissions Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, as the Group's business does not involve packaging materials
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Development — Emissions Management
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Development — Emissions Management
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Green Development — Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Development — Climate Change

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Areas and General Disclosures and KPIs			Sections
Social			
B1: Employee	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Making Progress Together
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Making Progress Together — Employee Recruitment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Making Progress Together — Employee Recruitment
B2: Health and Safety	General Disclosure	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Making Progress Together — Employees' Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Making Progress Together — Employees' Health and Safety
	KPI B2.2	Lost days due to work injury.	Making Progress Together — Employees' Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Making Progress Together — Employees' Health and Safety

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Areas and General Disclosures and KPIs			Sections
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Making Progress Together — Employee Training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Making Progress Together — Employee Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Making Progress Together — Employee Training
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Making Progress Together — Employee Recruitment
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Making Progress Together — Employee Recruitment
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Making Progress Together — Employee Recruitment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Empowering Through Innovation — Supplier Admission
	KPI B5.1	Number of suppliers by geographical region.	Empowering Through Innovation — Supplier Admission
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Empowering Through Innovation — Supplier Management and Evaluation
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Empowering Through Innovation — Supplier Management and Evaluation
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Empowering Through Innovation — Supplier Management and Evaluation

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Areas and General Disclosures and KPIs			Sections
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Empowering Through Innovation
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable, as the Group's business does not involve product recalls
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Empowering Through Innovation — Quality Services
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Empowering Through Innovation — Intellectual Property Protection
	KPI B6.4	Description of quality assurance process and recall procedures.	Empowering Through Innovation — Quality Assurance
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Empowering Through Innovation — Quality Services

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Areas and General Disclosures and KPIs			Sections
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Operation
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Responsible Operation — Business Ethics
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Responsible Operation — Business Ethics
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operation — Business Ethics
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Building
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Building
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Building

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Conch Environment Protection Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 117 to 224, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Expected credit loss allowance for trade receivables

Refer to note 17 and the accounting policy set out in note 1(l)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2021, the Group’s gross trade and bill receivables totalled RMB788 million against which an allowance for expected credit losses (“ECL”) of RMB32 million was recorded. Management measured loss allowance at an amount equal to lifetime ECL, using a provision matrix based on past due status, taking into account the historical default rate, current market conditions and forward-looking information. As the historical credit loss experience of the Group does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status are not further distinguished between the Group’s different customer bases.	Our audit procedures to assess the ECL allowance of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection, estimate of expected credit losses and recording related loss allowances in the financial statements; • assessing the appropriateness of the ECL model adopted by management with reference to the requirements of the prevailing accounting standards;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER *(Continued)*

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

Refer to note 17 and the accounting policy set out in note 1(l)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified ECL allowance for trade receivables as a key audit matter because estimation of ECL is inherently subjective and requires the exercise of significant management judgement.	• assessing the appropriateness of management's assumptions in estimating loss rates of the trade receivables by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • assessing whether the items in the trade receivables past due report were categorised in the appropriate ageing bracket by comparing the individual items with sales invoices and credit terms as agreed with customers, on a sample basis; and • re-calculating the Group's loss allowance with reference to the past due report and expected loss rates.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

KPMG
Certified Public Accountants

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

22 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	**2021** **RMB'000**	2020 RMB'000
Revenue	3	**1,698,153**	1,143,991
Cost of sales		**(683,118)**	(394,336)
Gross profit		**1,015,035**	749,655
Other income	4	**83,871**	44,080
Distribution costs		**(131,345)**	(88,827)
Administrative expenses		**(227,581)**	(129,642)
Profit from operations		**739,980**	575,266
Finance costs	5(a)	**(52,079)**	(12,187)
Share of profits of associates	14	**9,812**	11,081
Profit before taxation	5	**697,713**	574,160
Income tax	6(a)	**(51,136)**	(16,166)
Profit for the year		**646,577**	557,994
Attributable to:			
Equity shareholders of the Company		**578,607**	468,986
Non-controlling interests		**67,970**	89,008
Profit for the year		**646,577**	557,994
Earnings per share	9		
Basic (RMB)		**0.32**	0.26
Diluted (RMB)		**0.30**	0.24

The notes on pages 123 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	2021 RMB'000	2020 RMB'000
Profit for the year	**646,577**	557,994
Other comprehensive income for the year (after tax and reclassification adjustments)	**–**	–
Total comprehensive income for the year	**646,577**	557,994
Attributable to:		
Equity shareholders of the Company	**578,607**	468,986
Non-controlling interests	**67,970**	89,008
Total comprehensive income for the year	**646,577**	557,994

The notes on pages 123 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021
(Expressed in Renminbi Yuan)

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	10	**5,170,495**	3,066,011
Right-of-use assets	11	**197,156**	136,360
Intangible assets	12	**63,047**	67,802
Goodwill	26(b)	**5,815**	–
Interests in associates	14	**68,839**	67,770
Non-current portion of trade and other receivables	17	**293,062**	90,814
Financial assets measured at fair value through profit and loss ("FVPL")	15	**–**	82,500
Deferred tax assets	21(b)	**8,309**	3,004
		5,806,723	3,514,261
Current assets			
Inventories	16	**8,061**	3,642
Trade and other receivables	17	**1,024,495**	662,376
Financial assets measured at FVPL	15	**15,000**	–
Restricted bank deposits	18	**58,149**	37,349
Bank deposits with original maturity over three months	18	**1,680**	31,700
Cash and cash equivalents	18	**596,113**	638,784
		1,703,498	1,373,851
Current liabilities			
Loans and borrowings	19	**634,033**	120,639
Trade and other payables	20	**1,330,427**	1,900,486
Contract liabilities	22	**9,858**	3,568
Lease liabilities	23	**530**	1,010
Income tax payables	21(a)	**19,823**	6,284
		1,994,671	2,031,987
Net current liabilities		**(291,173)**	(658,136)
Total assets less current liabilities		**5,515,550**	2,856,125

The notes on pages 123 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at 31 December 2021
(Expressed in Renminbi Yuan)

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Non-current liabilities			
Loans and borrowings	19	**2,409,828**	1,040,833
Lease liabilities	23	**3,606**	3,965
Deferred tax liabilities	21(b)	**12,196**	9,690
		2,425,630	1,054,488
Net assets		**3,089,920**	1,801,637
Capital and reserves	24		
Share capital		**–***	–
Reserves		**2,420,593**	1,053,244
Equity attributable to equity shareholders of the Company		**2,420,593**	1,053,244
Non-controlling interests		**669,327**	748,393
Total equity		**3,089,920**	1,801,637

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

Approved and authorised for issue by the board of directors on 22 April 2022.

Guo Jingbin
Director

Shu Mao
Director

The notes on pages 123 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (Note 24(c))	Share premium RMB'000 (Note 24(d)(i))	Capital reserve RMB'000 (Note 24(d)(ii))	PRC statutory reserves RMB'000 (Note 24(d)(iii))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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 31 December 2020		–	–	273,686	109,216	670,342	1,053,244	748,393	1,801,637

		Attributable to equity shareholders of the Company							
	Note	**Share capital RMB'000 (Note 24(c))**	**Share premium RMB'000 (Note 24(d)(i))**	**Capital reserve RMB'000 (Note 24(d)(ii))**	**PRC statutory reserves RMB'000 (Note 24(d)(iii))**	**Retained earnings RMB'000**	**Sub-total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2021		**–**	**–**	**273,686**	**109,216**	**670,342**	**1,053,244**	**748,393**	**1,801,637**
Profit for the year		**–**	**–**	**–**	**–**	**578,607**	**578,607**	**67,970**	**646,577**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**578,607**	**578,607**	**67,970**	**646,577**
Non-controlling interests arising from establishment of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**109,267**	**109,267**
Acquisition of subsidiaries with non-controlling interests	26	**–**	**–**	**–**	**–**	**–**	**–**	**19,759**	**19,759**
Acquisition of non-controlling interests	24(d)(ii)	**–**	**–**	**(439,829)**	**–**	**–**	**(439,829)**	**(231,635)**	**(671,464)**
Appropriation to reserves	24(d)(iii)	**–**	**–**	**–**	**72,881**	**(72,881)**	**–**	**–**	**–**
Issuance of ordinary shares by capitalization of the balance due to related parties	24(d)(i)	**–***	**1,199,004**	**–**	**–**	**–**	**1,199,004**	**–**	**1,199,004**
Deemed contribution from the ultimate parent company	24(d)(ii)	**–**	**–**	**29,567**	**–**	**–**	**29,567**	**–**	**29,567**
Disposal of a subsidiary with non-controlling interests	27	**–**	**–**	**–**	**–**	**–**	**–**	**(31,760)**	**(31,760)**
Profit distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(12,667)**	**(12,667)**
Balance at 31 December 2021		**–***	**1,199,004**	**(136,576)**	**182,097**	**1,176,068**	**2,420,593**	**669,327**	**3,089,920**

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

The notes on pages 123 to 224 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	2021 RMB'000	2020 RMB'000
Operating activities:			
Cash generated from operations	18(b)	**812,463**	467,742
Income tax paid	21(a)	**(44,742)**	(14,280)
Net cash generated from operating activities		**767,721**	453,462
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(1,803,163)**	(1,436,275)
Proceeds from disposal of property, plant and equipment and right-of-use assets		**1,297**	407
Payment for purchase of right-of-use assets		**(458,799)**	(49,321)
Acquisition of subsidiaries, net of cash acquired	26	**(66,310)**	(20,129)
Payment for investments in associates		**(23,220)**	(1,200)
Proceeds from disposal of a subsidiary, net of cash held	27	**39,969**	–
Advance to related parties		**–**	(30,000)
Repayment of amounts due from related parties		**93,868**	–
Payment for purchase of financial assets measured at FVPL		**(15,000)**	(82,500)
Proceeds from maturity of bank deposits over three months		**51,700**	–
Payment for bank deposits with maturity over three months		**(21,680)**	(31,700)
Dividends received from associates		**6,400**	4,450
Interest received		**12,869**	11,729
Net cash used in investing activities		**(2,182,069)**	(1,634,539)
Financing activities:			
Proceeds from loans and borrowings	18(c)	**2,169,226**	1,056,939
Repayment of loans and borrowings	18(c)	**(164,337)**	(190,504)
Advance from related parties	18(c)	**219,626**	708,261
Repayment of amounts due to related parties	18(c)	**(565,236)**	(335,590)
Profit distribution to non-controlling interests paid		**(36,667)**	(20,603)
Capital injection from the parent company	24(c)	**–**	150,000
Dividends paid	24(b)	**(228,072)**	(21,762)
Interest paid	18(c)	**(81,041)**	(27,501)
Capital contribution from non-controlling interests		**109,267**	251,880
Repayment of payables for acquisition in connection with Reorganisation		**(50,000)**	–
Capital element of lease rentals paid	18(c)	**(918)**	(792)
Interest element of lease rentals paid	18(c)	**(171)**	(163)
Net cash generated from financing activities		**1,371,677**	1,570,165
Net (decrease)/increase in cash and cash equivalents		**(42,671)**	389,088
Cash and cash equivalents at the beginning of the year		**638,784**	249,696
Cash and cash equivalents at the end of the year	18(a)	**596,113**	638,784

The notes on pages 123 to 224 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) General 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 in noted 1(c). The Company and its subsidiaries (together, "the Group") are principally engaged in the treatment solutions for industrial solid and hazardous waste primarily utilizing cement kiln waste treatment technologies in the People's Republic of China (the "PRC"). The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2022 (the "Listing") (see note 31).

(b) Statement of compliance

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

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

(c) Basis of preparation and presentation

The Company's immediate holding company before its Listing was 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. The "Listing" constituted 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.

To rationalise the corporate structure in preparation of the "Listing", 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 (the "Reorganisation").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 Reorganisation is considered as a business combination of entities under common control. The consolidated financial statements have been prepared as if the Group had existed since the beginning of the reporting periods presented with assets and liabilities measured at the existing book value from Conch Venture's perspective.

The consolidated financial statements for the year ended 31 December 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 (see note 1(h)).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 31 December 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 the year ended 31 December 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 RMB768 million during the year ended 31 December 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 31 December 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 31 December 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.

(d) 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 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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 1(l)(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 year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Associates

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Other investments in debt and equity securities

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

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

(i) Investments other than equity investments

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

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(v)(ii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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 1(l)(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.

(k) Leased assets

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) As a lessee

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

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 1(h)(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 1(l)(ii)).

— right-of-use assets arising from leasehold land and properties where the Group is not the registered owner of the property interest;

— prepaid costs of land use rights paid to the PRC government authorities or third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

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.

(l) Credit losses and impairment of assets

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Basis of calculation of interest income

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

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

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

— Significant financial difficulties of the debtor;

— A breach of contract, such as a default or past due event;

— It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment;

— right-of-use assets;

— intangible assets;

— goodwill;

— interests in associates; and

— investments in subsidiaries in the Company's statement of financial position.

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

— *Calculation of recoverable amount*

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

— *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).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

— *Reversals of impairment losses*

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

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

(m) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Other contract costs

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Contract assets and contract liabilities

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

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

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

(o) Trade and other receivables

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Cash and cash equivalents

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

(q) 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.

(r) Interest-bearing borrowings

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

(s) Employee benefits

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

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

(ii) Defined contribution retirement plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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

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

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

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

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

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

  — the same taxable entity; or

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

(u) Provision and contingent liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(v) Revenue and other income

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

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 1(l)(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies

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

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

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

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

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

(x) Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Source of estimation uncertainty

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

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

(ii) Loss allowance of trade receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 **RMB'000**	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS15, all recognised over time		
Industrial solid waste treatment services	**456,179**	309,869
Industrial hazardous waste treatment services		
— General hazardous waste	**1,052,033**	765,680
— Oil sludge	**131,987**	68,442
— Fly ash	**57,954**	–
	1,698,153	1,143,991

Revenue from customers individually contributing over 10% of the total revenue of the Group for the year ended 31 December 2021 is as below:

	2021 **RMB'000**	2020 RMB'000
Customer A	**176,438**	N/A*

* Less than 10% of the Group's revenue in the respective year

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

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

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

(b) Segment reporting

(i) Services from which reportable segments derive their revenue

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

(ii) Geographic information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income on bank deposits	**9,009**	11,979
Government grants (i)	**58,776**	23,058
Gain on disposal of a subsidiary (ii)	**13,709**	–
Net gain on disposal of right-of-use assets and property, plant and equipment	**25**	8
Gain on previously held interests in associates (iii)	**856**	–
Recognition of negative goodwill as income	**928**	9,538
Others	**568**	(503)
	83,871	44,080

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

(ii) In December 2021, the Group disposed its entire 65% equity interest in a subsidiary, Conch Venture Environmental Protection Technology (Shanghai) Co., Ltd. ("Conch Venture Shanghai") to China Conch Venture Holdings (HK) Limited ("Conch Venture HK"), for a consideration of RMB65,000,000, which resulted in a gain on disposal of a subsidiary of RMB13,709,000 (see Note 27).

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2021 RMB'000	2020 RMB'000
Interest on loans and borrowings (Note 18(c))	**89,823**	26,891
Interest on lease liabilities (Note 18(c))	**171**	163
*Less: interest expense capitalised in construction in progress	**(37,915)**	(14,867)
	52,079	12,187

* For the years ended 31 December 2021, the borrowing costs were capitalised at a rate of 2.65%–4.65% per annum (2020: 3.85%–4.65%).

(b) Staff costs:

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	**240,995**	170,931
Contributions to defined contribution plans (i)	**35,806**	2,127
	276,801	173,058

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

During the financial year ended 31 December 2021, no contribution was forfeited (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) under the defined contribution retirement scheme which may be used by the Group to reduce the existing level of contributions. Accordingly, no forfeited contribution was utilised in the course of the year ended 31 December 2021, and as at 31 December 2021, there was no forfeited contribution available to reduce the Group's existing level of contributions to the defined contribution retirement scheme.

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 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

	2021 RMB'000	2020 RMB'000
Cost of services provided #	**683,118**	394,336
Depreciation of owned property, plant and equipment #	**148,274**	82,829
Depreciation of right-of-use assets #	**4,673**	4,781
Amortisation of intangible assets #	**6,827**	3,735
Loss allowance for trade receivables	**12,896**	4,845
Short-term lease payments not included in the measurement of lease liabilities	**2,826**	1,747
Auditors' remuneration	**2,300**	20
Listing expenses	**24,764**	–

For the year ended 31 December 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 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

	2021 RMB'000	2020 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax — PRC income tax		
Provision for the year	**58,130**	17,271
Under/(over) provision in respect of prior years	**151**	(291)
Deferred tax:		
Origination and reversal of temporary differences (Note 21(b))	**(7,145)**	(814)
	51,136	16,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

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

(Continued)

(1) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(2) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profit tax has been made for the year ended 31 December 2021 (2020: nil) as there are no assessable profits during the years ended 31 December 2021 and 2020.

(3) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

(4) Pursuant to Notice No. 23 issued by the State Administration of Taxation on 23 April 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.

(5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in industrial solid and hazardous waste solutions are eligible for income tax exemption for the first three years starting from the year in which revenue is generated and 50% income tax reduction for the next three years.

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

	2021 **RMB'000**	2020 RMB'000
Profit before taxation	**697,713**	574,160
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**184,256**	147,872
PRC tax concessions	**(130,818)**	(128,645)
Under/(over) provision in respect of prior years	**151**	(291)
Share of profits of associates	**(2,453)**	(2,770)
Income tax expense	**51,136**	16,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

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

		Year ended 31 December 2020				
	Note	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Mr. Guo Jingbin	(i)(v)	–	272	622	–	894
Mr. Ji Qinying	(ii)(v)	–	245	622	–	867
Mr. Shu Mao	(iii)(v)	–	181	353	1	535
Mr. Zhang Keke	(iii)	–	393	735	5	1,133
Mr. Wan Changbao		–	296	598	5	899
		–	1,387	2,930	11	4,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 DIRECTORS' REMUNERATION *(Continued)*

(i) Mr. Guo Jingbin was appointed as a director of the Company on 2 March 2020 and re-designated as an executive director of the Company on 17 September 2021.

(ii) Mr. Ji Qinying was the director of the Group during the years ended 31 December 2021 and 2020 and appointed as a non-executive director of the Company on 17 September 2021.

(iii) Mr. Shu Mao and Mr. Zhang Keke were appointed as directors of the Company on 25 February 2021 and re-designated as executive directors of the Company on 17 September 2021.

(iv) Mr. Li Daming and Mr. Xiao Jiaxiang were appointed as non-executive directors of the Company on 17 September 2021.

(v) 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 eight months ended 31 August 2021 and the year ended 31 December 2020 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 years ended 31 December 2021 and 2020.

No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments of the Group for the year include three (2020: four) directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining two (2020: one) highest paid individuals, are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**1,017**	508
Discretionary bonuses	**1,989**	758
Contributions to retirement benefit schemes	**66**	–
	3,072	1,266

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

	2021 Number of individuals	2020 Number of individuals
HKD		
Nil–1,000,000	**–**	–
1,000,001–1,500,000	**2**	1

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of 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 (see Note 31(a)) 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:

	2021 RMB'000	2020 RMB'000
Assumed weighted average number of ordinary shares at 31 December	**1,826,765**	1,826,765
Effect of conversion of convertible bonds (i)	**103,699**	103,699
Assumed weighted average number of ordinary shares (diluted) at 31 December	**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 to the share of the Company 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) 103,698,811 shares of Conch Venture, and (2) 103,698,811 shares of the Company, assuming that effect of conversion of convertible bonds of 103,698,811 shares had been outstanding throughout the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 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 31 December 2020 and 1 January 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	–	37,437	18,408	22,308	2,062,451	2,140,604
Transfer from construction in progress	544,658	673,752	1,178	–	(1,219,588)	–
Disposal of a subsidiary (Note 27)	–	–	(235)	(4,119)	(75,388)	(79,742)
Disposals	(181)	(407)	(208)	(1,663)	–	(2,459)
At 31 December 2021	1,450,320	1,735,924	50,114	127,583	2,122,509	5,486,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 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 31 December 2020 and 1 January 2021	(33,135)	(87,082)	(6,334)	(36,367)	–	(162,918)
Charge for the year	(35,487)	(89,238)	(5,318)	(24,713)	–	(154,756)
Written back on disposals	–	27	55	1,105	–	1,187
Disposal of a subsidiary (Note 27)	–	–	28	504	–	532
At 31 December 2021	(68,622)	(176,293)	(11,569)	(59,471)	–	(315,955)
Net book value:						
At 31 December 2020	802,883	871,124	22,589	73,477	1,295,938	3,066,011
At 31 December 2021	1,381,698	1,559,631	38,545	68,112	2,122,509	5,170,495

11 RIGHT-OF-USE ASSETS

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

	Note	**2021** **RMB'000**	2020 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	**191**	836
Leasehold land for own use, carried at depreciated cost	(ii)	**196,965**	135,524
		197,156	136,360

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

	2021 **RMB'000**	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	**645**	826
Leasehold land for own use, carried at depreciated cost	**7,250**	3,955
	7,895	4,781
Interest on lease liabilities (Note 5(a))	**171**	163
Expenses relating to short-term leases	**2,826**	1,747

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

(i) Properties leased for own use

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(ii) Leasehold land for own use

	Land use rights RMB'000	Other leasehold land for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2020	76,022	–	76,022
Acquisition of subsidiaries (Note 26)	10,600	–	10,600
Additions	49,319	4,081	53,400
At 31 December 2020 and 1 January 2021	135,941	4,081	140,022
Acquisition of subsidiaries (Note 26)	18,025	–	18,025
Additions	458,797	250	459,047
Disposal of a subsidiary (Note 27)	(411,603)	–	(411,603)
At 31 December 2021	201,160	4,331	205,491
Accumulated depreciation:			
At 1 January 2020	(543)	–	(543)
Charge for the year	(3,757)	(198)	(3,955)
At 31 December 2020 and 1 January 2021	(4,300)	(198)	(4,498)
Charge for the year	(7,011)	(239)	(7,250)
Disposal of a subsidiary (Note 27)	3,222	–	3,222
At 31 December 2021	(8,089)	(437)	(8,526)
Net book value:			
At 31 December 2020	131,641	3,883	135,524
At 31 December 2021	193,071	3,894	196,965

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

As at 31 December 2021, the remaining lease terms of leasehold land for own use are ranged from 4–20 years.

As at 31 December 2021, leasehold land for own use with carrying amount of RMB21,756,000 (2020:RMB9,476,000) were pledged as collaterals for certain bank loans (see Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INTANGIBLE ASSETS

	Software RMB'000	Pollutant discharge licenses RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:				
At 1 January 2020	493	2,219	–	2,712
Acquisition of subsidiaries (Note 26)	12	–	66,078	66,090
Additions	998	2,941	–	3,939
At 31 December 2020 and 1 January 2021	1,503	5,160	66,078	72,741
Acquisition of subsidiaries (Note 26)	219	–	–	219
Additions	2,885	–	–	2,885
At 31 December 2021	4,607	5,160	66,078	75,845
Accumulated amortisation:				
At 1 January 2020	(56)	(222)	–	(278)
Charge for the year	(92)	(926)	(3,643)	(4,661)
At 31 December 2020 and 1 January 2021	(148)	(1,148)	(3,643)	(4,939)
Charge for the year	(304)	(1,032)	(6,523)	(7,859)
At 31 December 2021	(452)	(2,180)	(10,166)	(12,798)
Net book value:				
At 31 December 2020	1,355	4,012	62,435	67,802
At 31 December 2021	4,155	2,980	55,912	63,047

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guiyang Conch Venture Environmental Protection Technology Co., Ltd. 貴陽海創環保科技有限責任公司(i)	The PRC 28 April 2018	RMB30,000,000/ RMB30,000,000	85%	–	85%	Industrial solid and hazardous waste treatment
Wenshan Conch Venture Environmental Protection Technology Co., Ltd. 文山海創環保科技有限責任公司(i)	The PRC 8 March 2017	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. 重慶海創環保科技有限責任公司(i)	The PRC 11 September 2017	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qiyang Conch Venture Environmental Protection Technology Co., Ltd. 祁陽海創環保科技有限責任公司(i)	The PRC 26 December 2017	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jining Conch Venture Environment Technology Co., Ltd. 濟甯海螺創業環境科技有限責任公司(i)	The PRC 12 June 2017	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Liangping Conch Venture Environmental Protection Technology Co., Ltd. 重慶市梁平海創環保科技有限責任公司(i)	The PRC 12 June 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yingde Conch Venture Environmental Protection Technology Co., Ltd. 英德海創環保科技有限責任公司(i)	The PRC 20 September 2018	RMB1,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yangchun Conch Venture Environmental Protection Technology Co., Ltd. 陽春海創環保科技有限責任公司(i)	The PRC 27 December 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Linxiang Conch Venture Environmental Protection Technology Co., Ltd. 臨湘海創環保科技有限責任公司(i)	The PRC 18 January 2019	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dazhou Conch Venture Environmental Protection Technology Co., Ltd. 達州海創環保科技有限責任公司(i)	The PRC 9 April 2019	RMB3,700,000/ RMB30,000,000	80%	–	80%	Industrial solid and hazardous waste treatment
Longan Conch Venture Environmental Protection Technology Co., Ltd. 隆安海創環保科技有限責任公司(i)	The PRC 17 May 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ningguo Conch Venture Environmental Protection Technology Co., Ltd. 甯國海創環保科技有限責任公司(i)	The PRC 27 March 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Fanchang Conch Venture Environmental Protection Technology Co., Ltd. 繁昌海創環保科技有限責任公司(i)	The PRC 13 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Chizhou Conch Venture Environmental Protection Technology Co., Ltd. 池州海創環保科技有限責任公司(i)	The PRC 11 September 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quanjiao Conch Venture Environmental Protection Technology Co., Ltd. 全椒海創環保科技有限責任公司(i)	The PRC 26 February 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Zongyang Conch Venture Environment Engineering Co., Ltd. 樅陽海創環境工程有限責任公司(i)	The PRC 24 March 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yantai Conch Venture Fanlin Environmental Protection Technology Co., Ltd. 煙臺海創泛林環保科技有限責任公司(i)	The PRC 8 July 2020	RMB1,000,000/ RMB30,000,000	53%	–	53%	Industrial solid and hazardous waste treatment
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(i)	The PRC 3 August 2020	RMB1,000,000/ RMB30,000,000	65%	–	65%	Industrial solid and hazardous waste treatment
Dongying Haiying Environmental Protection Technology Co., Ltd. 東營海瀛環保科技有限責任公司(i)	The PRC 30 November 2020	RMB30,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Shuangfeng Conch Venture Environmental Protection Technology Co., Ltd. 雙峰海創環保科技有限責任公司(i)	The PRC 24 October 2019	–/RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Xi'an Yaobai") 西安堯柏環保科技工程有限公司(i)	The PRC 3 June 2013	RMB150,000,000/ RMB150,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xianyang Conch Venture Environment Engineering Co., Ltd. 咸陽海創環境工程有限公司(i)	The PRC 27 October 2014	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. 漢中堯柏環保科技工程有限公司(i)	The PRC 27 September 2016	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. 千陽海創環保科技有限責任公司(i)	The PRC 28 February 2017	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. 銅川海創環保科技有限責任公司(i)	The PRC 2 April 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fuping Conch Venture Yaobai Environmental Protection Technology Co., Ltd. 富平海創堯柏環保科技有限責任公司(i)	The PRC 18 July 2019	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Inner Mongolia Conch Venture Mengxi Technology Development Co., Ltd. 內蒙古海創蒙西科技發展有限公司(i)	The PRC 27 November 2019	RMB76,519,300/ RMB80,000,000	65%	–	65%	Investment holding
HulunBuir Haimeng Technology Development Co., Ltd. 呼倫貝爾市海蒙科技發展有限責任公司(i)	The PRC 19 December 2019	RMB23,000,000/ RMB23,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Erdos Haimeng Technology Development Co., Ltd. 鄂爾多斯市海蒙科技發展有限責任公司(i)	The PRC 6 January 2020	–/RMB36,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Arong Banner Haimeng Technology Development Co., Ltd. 阿榮旗海蒙科技發展有限責任公司(i)	The PRC 11 May 2020	RMB23,000,000/ RMB23,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ninghai Xinyuantai Environmental Protection Technology Co., Ltd. 寧海馨源泰環保科技有限公司(i)	The PRC 11 October 2016	RMB66,666,700/ RMB66,666,700	70%	–	70%	Industrial solid and hazardous waste treatment
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 益陽海創環保科技有限責任公司(i)	The PRC 1 March 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xinhua Conch Venture Environmental Protection Technology Co., Ltd. 新化海創環保科技有限責任公司(i)	The PRC 24 March 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Renewable Resources Comprehensive Utilization Co., Ltd. 蕪湖海創再生資源綜合利用有限責任公司(i)	The PRC 15 January 2020	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyang Conch Venture Environmental Protection Technology Co., Ltd. 慶陽海創環保科技有限責任公司(i)	The PRC 11 March 2020	RMB16,000,000/ RMB20,000,000	80%	–	80%	Industrial solid and hazardous waste treatment
Shaanxi Bangda Environmental Engineering Co., Ltd. ("Bangda Environmental") 陝西邦達環保工程有限公司(i)	The PRC 30 October 2008	RMB130,000,000/ RMB130,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Jinzhou Conch Venture Environmental Protection Technology Co., Ltd. 錦州金利源環保科技有限公司(i)	The PRC 3 August 2018	RMB75,000,000/ RMB75,000,000	80%	–	80%	Industrial solid and hazardous waste treatment
Anhui Haizhong Environmental Protection Technology Co., Ltd. 安徽海中環保有限責任公司(i)	The PRC 14 March 2019	RMB500,000,000/ RMB500,000,000	100%	–	100%	Management of industrial solid and hazardous waste treatment business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Luoyang Haizhong Environmental Protection Technology Co., Ltd. 洛陽海中環保科技有限責任公司(i)	The PRC 13 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. 濟源海中環保科技有限責任公司(i)	The PRC 18 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hangzhou Fuyang Haizhong Environmental Protection Technology Co., Ltd. 杭州富陽海中環保科技有限責任公司(i)	The PRC 17 September 2019	RMB60,000,000/ RMB60,000,000	65%	–	65%	Industrial solid and hazardous waste treatment
Chongzuo Haizhong Environmental Protection Technology Co., Ltd. 崇左海中環保科技有限責任公司(i)	The PRC 12 October 2019	RMB20,000,000/ MB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guilin Haizhong Environmental Protection Technology Co., Ltd. 桂林海中環保科技有限責任公司(i)	The PRC 24 July 2017	RMB21,000,000/ RMB21,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dengfeng Haizhong Environmental Protection Technology Co., Ltd. 登封海中環保科技有限責任公司(i)	The PRC 28 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quzhou Haizhong Environmental Protection Technology Co., Ltd. 衢州海中環保科技有限責任公司(i)	The PRC 31 December 2019	RMB3,000,000/ RMB3,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tai'an Dezheng Haizhong Environmental Protection Technology Co., Ltd. 泰安德正海中環保科技有限責任公司(i)	The PRC 17 December 2019	RMB30,000,000/ RMB30,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Jiayuguan Haizhong Environmental Protection Technology Co., Ltd. 嘉峪關海中環保科技有限責任公司(i)	The PRC 16 March 2020	RMB40,000,000/ RMB40,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Baoding Haizhong Zhongtian Environmental Protection Technology Co., Ltd. 保定海中眾天環保科技有限責任公司(i)	The PRC 21 April 2020	RMB7,000,000/ RMB7,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Nanyang Haizhong Environmental Protection Technology Co., Ltd. 南陽海中環保科技有限責任公司(i)	The PRC 18 May 2020	RMB60,000,000/ RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jining Haizhong Environmental Protection Technology Co., Ltd. 濟寧海中環保科技有限責任公司(i)	The PRC 16 June 2020	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tengzhou Haizhong Hongshun Environmental Protection Technology Co., Ltd. 滕州海中鴻順環保科技有限公司(i)	The PRC 13 December 2019	RMB10,000,000/ RMB20,000,000	51%	–	51%	Industrial solid and hazardous waste treatment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Xin'an Haizhong Environmental Protection Technology Co., Ltd. 新安海中環保科技有限責任公司(i)	The PRC 23 July 2020	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Logistics Co., Ltd. 蕪湖海創物流有限責任公司(i)	The PRC 3 March 2017	RMB32,000,000/ RMB50,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Yangchun Conch Venture Logistics Co., Ltd. 陽春海創物流有限責任公司(i)	The PRC 7 April 2020	RMB4,300,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Shaanxi Bangda Jieshun Logistics Co., Ltd. 陝西邦達捷順運輸有限責任公司(i)	The PRC 14 June 2019	RMB10,000,000/ RMB10,000,000	70%	–	70%	Logistics service for solid and hazardous waste
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(i)	The PRC 26 August 2020	–/RMB8,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Shimen Conch Venture Environmental Protection Technology Co., Ltd. 石門海創環保科技有限責任公司(i)	The PRC 3 July 2020	–/RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xianyang Conch Venture Environmental Protection Technology Co., Ltd. 咸陽海創環保科技有限責任公司(i)	The PRC 17 April 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Anhui Haihua environmental protection Co., Ltd. 安徽海化環保有限責任公司(i)	The PRC 18 August 2020	RMB200,000,000/ RMB200,000,000	65%	–	65%	Industrial solid and hazardous waste treatment
Quanjiao Haihua Environmental Protection Technology Co., Ltd. 全椒海化環保科技有限責任公司(i)	The PRC 24 November 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xinhua Haihua Environmental Protection Technology Co., Ltd. 新化海化環保科技有限責任公司(i)	The PRC 1 December 2020	–/RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qianxian Haihua Environmental Protection Technology Co., Ltd. 乾縣海化環保科技有限責任公司(i)	The PRC 26 November 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Nanyang Wolong Haizhong Environmental Protection Technology Co., Ltd. 南陽臥龍海中環保科技有限責任公司(i)	The PRC 17 August 2020	–/RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yunfu Haizhong Environmental Protection Technology Co., Ltd. 雲浮海中環保科技有限責任公司(i)	The PRC 10 November 2020	RMB7,000,000/ RMB7,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Linxiang Haichuang Logistics Co., Ltd. 臨湘海創物流有限責任公司(i)	The PRC 22 January 2021	RMB4,600,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Guiyang Haihua Environmental Protection Co., Ltd. 貴陽海化環保有限責任公司(i)	The PRC 3 June 2021	–/RMB40,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Haihuan Fuhua Environmental Engineering (Shanghai) Co., Ltd. 海環富華環境工程(上海)有限公司(i)	The PRC 6 April 2021	–/RMB10,000,000	100%	–	100%	Resource recycling service technical consultation
Haihuan Environmental Technology (Shanghai) Co., Ltd. 海環環境科技(上海)有限公司(i)	The PRC 26 January 2021	–/RMB100,000,000	100%	–	100%	Resource recycling service technical consultation
Leizhou Haichuang Lifu Environmental Protection Technology Co., Ltd. 雷州海創勵福環保科技有限責任公司(i)	The PRC 18 January 2021	RMB30,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Ganzhou Haichuang Environmental Technology Co., Ltd. 贛州海創環保科技有限責任公司(i)	The PRC 3 March 2021	RMB6,660,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Faithful Environmental Technology Limited ("Faithful Environmental") 誠信環保科技有限公司	Hong Kong 22 September 2020	HKD200/HKD200	100%	–	100%	Investment holding
Able Bless Inc. Limited ("Able Bless") 萬福興業有限公司	Hong Kong 24 December 2015	HKD200/HKD200	100%	–	100%	Investment holding
Western Environmental Technology Holdings Limited ("Western Environmental") 西部環保科技控股有限公司	BVI 9 September 2020	USD200/USD50,000	100%	–	100%	Investment holding
Aqualink Global Limited ("Aqualink")	BVI 19 January 2016	USD200/USD50,000	100%	–	100%	Investment holding
Chaohu Haichuang Environmental Technology Co., Ltd. 巢湖海創環保科技有限責任公司(i)	The PRC 27 May 2021	RMB6,000,000/ RMB6,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hainan Haichuang Environmental Technology Co., Ltd. 海南海創環保科技有限責任公司(i)	The PRC 28 June 2021	RMB2,450,000/ RMB20,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Chaohu Haihua Environmental Protection Technology Co., Ltd. 巢湖海化環保科技有限責任公司(i)	The PRC 26 May 2021	RMB10,500,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hainan Haihua Environmental Protection Technology Co., Ltd. 海南海化環保科技有限責任公司(i)	The PRC 29 June 2021	RMB1,200,000/ RMB50,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
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(i)	The PRC 18 September 2008	RMB50,000,000/ RMB50,000,000	70%	–	70%	Industrial solid and hazardous waste treatment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Yan'an Haichuang Environmental Technology Co., Ltd. 延安海創環保科技有限責任公司(i)	The PRC 3 March 2021	RMB30,000,000/ RMB30,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Beijing Haichuang Nengyuan Environmental Protection Technology Development Co., Ltd. 北京海創能遠環保科技發展有限公司(i)	The PRC 5 February 2021	RMB30,000,000/ RMB100,000,000	60%	–	60%	Resource recycling service technical consultation
Shanghai Haihuan Nengyuan Environmental Protection Technology Co., Ltd. 上海海環能遠環保科技有限責任公司(i)	The PRC 26 April 2021	RMB5,000,000 RMB50,000,000	100%	–	100%	Resource recycling service technical consultation
Zhejiang Haiyu Nengyuan Environmental Protection Technology Co., Ltd. 浙江海宇能遠環保科技有限公司(i)	The PRC 6 July 2021	RMB5,000,000/ RMB10,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Haihuan Ecological Technology (Shanghai) Co., Ltd. 海環生態科技(上海)有限責任公司(i)	The PRC 1 July 2021	RMB1,000,000/ RMB100,000,000	60%	–	60%	Resource recycling service technical consultation
Dezhou Haizhong Nuoke Environmental Technology Co., Ltd. 德州海中諾客環保科技有限責任公司(i)	The PRC 15 August 2019	RMB30,000,000/ RMB30,000,000	89%	–	89%	Industrial solid and hazardous waste treatment
Juxian Haizhong Environmental Protection Technology Co., Ltd. 莒縣海中環保科技有限責任公司(i)	The PRC 13 January 2021	–/RMB15,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd. 福建三明海中環保科技有限責任公司(i)	The PRC 24 April 2017	RMB60,000,000/ RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Nanjing Haizhong Environmental Protection Technology Co., Ltd. 南京海中環保科技有限責任公司(i)	The PRC 8 February 2021	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ganzhou Haihua Environmental Protection Technology Co., Ltd. 贛州海化環保科技有限責任公司(i)	The PRC 30 July 2021	RMB100,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Haihuan Lvyuan Environmental Technology (Shanghai) Co., Ltd 海環綠源環保科技(上海)有限公司(i)	The PRC 22 October 2021	–/RMB50,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Lanzhou Haizhong Environmental Protection Technology Co., Ltd. 蘭州海中環保科技有限責任公司(i)	The PRC 15 October 2021	–/RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Changzhi Conch Venture Environmental Technology Co., Ltd 長治海創環保科技有限責任公司(i)	The PRC 15 October 2021	–/RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guiding Conch Venture Environmental Technology Co., Ltd 貴定海創環保科技有限責任公司(i)	The PRC 25 October 2021	–/RMB9,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Changzhi Haihua Environmental Protection Technology Co., Ltd 長治海化環保科技有限責任公司(i)	The PRC 26 October 2021	–/RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guiding Haihua Environmental Protection Technology Co., Ltd 貴定海化環保科技有限責任公司(i)	The PRC 25 October 2021	–/RMB21,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yangchun Haihua Environmental Protection Technology Co., Ltd 陽春海化環保科技有限責任公司(i)	The PRC 27 October 2021	–/RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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

(ii) Control over Conch CNBM HK

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTERESTS IN ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation and operation	Registered capital/ authorised and paid-in capital	Proportion of ownership interest Group's effective interest As at 31 December 2021	2020	Principal activities
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (江蘇傑夏環保科技有限公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB80,000,000/ RMB80,000,000	35%	35%	Industrial solid and hazardous waste treatment
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)	Incorporated as limited liability company	The PRC	RMB60,000,000/ RMB60,000,000	N/A	35%	Industrial solid and hazardous waste treatment
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)	Incorporated as limited liability company	The PRC	RMB30,000,000/ RMB30,000,000	N/A	50%	Industrial solid and hazardous waste treatment
Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. (雲浮光嘉海中環保科技有限公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB60,000,000/ RMB16,500,000	40%	40%	Industrial solid and hazardous waste treatment
Chongqing Nantong Environmental Protection Technology Co., Ltd. (重慶南桐環保科技有限公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB30,000,000/ RMB30,000,000	30%	–	Industrial solid and hazardous waste treatment
Nanchen Nuoke Haizhong Environmental Protection Technology Co., Ltd. (南城諾客海中環保科技有限責任公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB18,000,000/ RMB18,000,000	49%	–	Industrial solid and hazardous waste treatment

(i) These PRC entities are limited liability companies. The English translation of the companies name are for reference only. The official names of these companies are in Chinese.

(ii) The associates mentioned above are accounted for using the equity method in the consolidated financial statements, which were not individually material.

(iii) The Group acquired additional equity interests in the associates during the year ended 31 December 2021 (see Notes 26(a) and 26(c)), both of which have been accounted for as subsidiaries of the Group since the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTERESTS IN ASSOCIATES *(Continued)*

The information of associates is as below:

	2021 **RMB'000**	2020 RMB'000
Carrying amount of the associates	**68,839**	67,770
Amounts of the Group's share of associates		
Profit from continuing operations	**9,812**	11,081
Other comprehensive income	**–**	–
Total comprehensive income	**9,812**	11,081
Dividend received	**6,400**	4,450

15 FINANCIAL ASSETS MEASURED AT FVPL

	2021 **RMB'000**	2020 RMB'000
Non-current assets		
Unlisted equity securities carried at FVPL (i)	**–**	82,500
Current assets		
Investment in structured deposits (ii)	**15,000**	–

(i) In December 2021, the Group disposed its entire 65% equity interests in Conch Venture Shanghai as disclosed in Note 27 resulting in the disposal of financial assets measured at FVPL.

(ii) The structured deposits as at 31 December 2021 are issued by a creditworthy major PRC commercial bank with variable interest rate and will mature on 29 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVENTORIES

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

	2021	2020
	RMB'000	RMB'000
Raw materials	**8,061**	3,642

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

	2021	2020
	RMB'000	RMB'000
Carrying amount of inventories used	**54,135**	28,573
Write-down of inventories	**–**	–
	54,135	28,573

17 TRADE AND OTHER RECEIVABLES

	2021 **RMB'000**	2020 RMB'000
Trade receivables		
— Third parties	**681,441**	469,550
— Related parties (Note 29(c))	**17,125**	3,073
Bills receivable	**89,009**	51,874
Less: allowance for doubtful debts (Note 17(b))	**(32,276)**	(19,380)
Trade and bills receivables	**755,299**	505,117
Other receivables		
— Deposits and prepayments	**18,576**	9,438
— VAT recoverable	**82,821**	131,599
— Others	**12,933**	9,350
	869,629	655,504
Dividends receivable (Note 29(c))	**–**	6,400
Amounts due from related parties (Note 29(c))		
— Advances to related parties (i)	**150,000**	–
— Others	**4,866**	472
Current portion of trade and other receivables	**1,024,495**	662,376
Other receivables to be recovered after one year	**293,062**	60,814
Amounts due from related parties to be recovered after one year (ii)	**–**	30,000
Non-current portion of trade and other receivables	**293,062**	90,814
Total current and non-current trade and other receivables	**1,317,557**	753,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES *(Continued)*

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 (see Note 27) , 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) Amounts due from Dezhou Haizhong of RMB30,000,000 as at 31 December 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 31 December 2021, the balance of RMB30,000,000 was offset on consolidation since Dezhou Haizhong became a subsidiary of the Group in January 2021 (see Note 26(a)).

(iii) 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 31 December 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 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(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:

	2021 RMB'000	2020 RMB'000
Current	**671,366**	479,864
Less than 1 year	**82,692**	25,126
1 to 2 years	**1,241**	127
	755,299	505,117

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

(b) Loss allowance for trade receivables and bills receivable

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**19,380**	14,602
Impairment losses recognised	**12,896**	4,845
Written off	**–**	(67)
At the end of the year	**32,276**	19,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	**655,942**	707,833
Less: Restricted bank deposits (Note)	**(58,149)**	(37,349)
Bank deposits with original maturity over three months	**(1,680)**	(31,700)
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	**596,113**	638,784

Note: As at 31 December 2021, restricted bank deposits of RMB58,149,000 (2020: RMB37,349,000) mainly represent deposits for issuing bank acceptance bills payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	2021 RMB'000	2020 RMB'000
Profit before taxation		**697,713**	574,160
Adjustments for:			
Depreciation of owned property, plant and equipment	5(c)	**148,274**	82,829
Depreciation of right-of-use assets	5(c)	**4,673**	4,781
Amortisation of intangible assets	5(c)	**6,827**	3,735
Loss allowance for trade receivables	5(c)	**12,896**	4,845
Net gain on disposal of right-of-use assets and property, plant and equipment	4	**(25)**	(8)
Gain on previously held interests in associates	4	**(856)**	–
Negative goodwill on business combination	4	**(928)**	(9,538)
Gain on disposal of a subsidiary	4	**(13,709)**	–
Finance costs	5(a)	**52,079**	12,187
Interest income	4	**(9,009)**	(11,979)
Share of profits of associates		**(9,812)**	(11,081)
Operating profit before changes in working capital		**888,123**	649,931
(Increase)/decrease in inventories		**(4,238)**	1,768
Increase in restricted bank deposits		**(32,940)**	(37,349)
Increase in trade and other receivables		**(179,674)**	(270,545)
Increase in trade and other payables		**134,902**	122,366
Increase in contract liabilities		**6,290**	1,571
Cash generated from operations		**812,463**	467,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Loans and borrowings RMB'000 (Note 19)	Advances from related parties RMB'000 (Note (i))	Interest payable RMB'000 (Note (ii))	Dividends payable RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2020	295,037	286,776	1,659	–	909	584,381
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 5(a))	–	–	12,024	–	163	12,187
Capitalised borrowing costs (Note 5(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Loans and borrowings RMB'000 (Note 19)	Advances from related parties RMB'000 (Note (i))	Interest payable RMB'000 (Note (ii))	Dividends payable RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 31 December 2020 and 1 January 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	2,169,226	–	–	–	–	2,169,226
Repayment of loans and borrowings	(164,337)	–	–	–	–	(164,337)
Advance from related parties	–	219,626	–	–	–	219,626
Repayment of amounts due to related parties	–	(565,236)	–	–	–	(565,236)
Profit distribution to non-controlling interests paid	–	–	–	(36,667)	–	(36,667)
Dividends paid	–	–	–	(228,072)	–	(228,072)
Capital element of lease rentals paid	–	–	–	–	(918)	(918)
Interest element of lease rentals paid	–	–	–	–	(171)	(171)
Interest paid	–	–	(81,041)	–	–	(81,041)
Total changes from financing cash flows	2,004,889	(345,610)	(81,041)	(264,739)	(1,089)	1,312,410
Other changes:						
Bank loan obtained in acquisition of subsidiaries (Note 26(b))	9,000	–	–	–	–	9,000
Disposal of a subsidiary (Note 27)	(131,500)	(41,384)	(6,177)	–	–	(179,061)
Issuance of ordinary shares by capitalisation of the balance due to related parties	–	(272,453)	–	–	–	(272,453)
Interest expenses (Note 5(a))	–	–	51,908	–	171	52,079
Capitalised borrowing costs (Note 5(a))	–	–	37,915	–	–	37,915
Profit distribution to non-controlling interests	–	–	–	12,667	–	12,667
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	79	79
Total other changes	(122,500)	(313,837)	83,646	12,667	250	(339,774)
At 31 December 2021	3,043,861	–	3,654	36,247	4,136	3,087,898

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.

18 CASH AND CASH EQUIVALENTS *(Continued)*

(d) Total cash outflow for leases

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

	2021 **RMB'000**	2020 RMB'000
Within operating cash flows	**2,826**	1,747
Within financing cash flows	**1,089**	955
	3,915	2,702

These amounts relate to the following:

	2021 **RMB'000**	2020 RMB'000
Lease rentals paid	**3,915**	2,702

19 LOANS AND BORROWINGS

	2021 **RMB'000**	2020 RMB'000
Current	**634,033**	120,639
Non-current	**2,409,828**	1,040,833
Total	**3,043,861**	1,161,472

(i) As at 31 December 2021, the bank loans were repayable as follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**634,033**	120,639
After one year but within two years	**343,522**	227,906
After two years but within five years	**1,766,994**	725,095
After five years	**299,312**	87,832
Total	**3,043,861**	1,161,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 LOANS AND BORROWINGS *(Continued)*

(ii) As at 31 December 2021, the bank loans were secured as follows:

	2021 RMB'000	2020 RMB'000
Bank loans		
— Guaranteed	**47,637**	589,635
— Secured	**50,000**	50,000
— Guaranteed and secured	**7,000**	–
— Unsecured	**2,939,224**	439,337
	3,043,861	1,078,972
Other borrowings		
— Unsecured	**–**	82,500
Total	**3,043,861**	1,161,472

Note:

As at 31 December 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 31 December 2021, the balance of RMB82,500,000 was disposed of since Conch Venture Shanghai was disposed of by the Group in December 2021 (see Note 27).

As at 31 December 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 31 December 2021, the bank loans of the Group amounting to RMB21,970,000 (2020: Nil) were guaranteed by an independent third party.

As at 31 December 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 31 December 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 31 December 2020, the bank loans of the Group amounting to RMB529,302,000 were guaranteed by Conch Venture Wuhu.

As at 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER PAYABLES

	2021 **RMB'000**	2020 RMB'000
Trade payables		
— Third parties	**90,799**	31,408
— Related parties (Note 29(c))	**32,924**	19,234
Bills payable	**39,880**	44,847
Trade and bills payables	**163,603**	95,489
Other payables and accruals		
— Construction and equipment payables	**377,444**	204,238
— Deposits	**35,593**	27,865
— Other taxes and surcharges payables	**3,676**	2,818
— Accrued payroll and other benefits	**99,758**	73,344
— Accrued expenses	**75,204**	40,086
— Others	**29,503**	21,487
	784,781	465,327
Dividends payable to the then equity shareholders (Note 29(c))	**36,247**	288,319
Amounts due to related parties (Note 29(c))		
— Advances from related parties	**–**	659,447
— Construction and equipment payables	**508,288**	154,404
— Payables for acquisition of subsidiaries in connection with Reorganisation	**–**	305,087
— Others	**1,111**	27,902
Trade and other payables	**1,330,427**	1,900,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER PAYABLES *(Continued)*

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

	2021	2020
	RMB'000	RMB'000
Within 1 year	**163,603**	95,489
	163,603	95,489

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

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2021	2020
	RMB'000	RMB'000
Balance at beginning of the year	**6,284**	3,584
Provision for current income tax for the year (Note 6(a))	**58,281**	16,980
Payments during the year	**(44,742)**	(14,280)
Balance at the end of the year	**19,823**	6,284

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

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

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

	Unrealised profit upon elimination RMB'000	Loss allowance on trade receivables RMB'000	Fair value adjustment in relation to business combination RMB'000	Total RMB'000
Deferred tax assets arising from:				
At 1 January 2020	–	2,190	–	2,190
Credited to profit or loss	97	717	–	814
Acquisition of subsidiaries (Note 26)	–	–	(9,690)	(9,690)
At 31 December 2020 and 1 January 2021	97	2,907	(9,690)	(6,686)
Credited to profit or loss	3,471	1,834	1,840	7,145
Acquisition of subsidiaries (Note 26)	–	–	(4,346)	(4,346)
At 31 December 2021	3,568	4,741	(12,196)	(3,887)

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

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**8,309**	3,004
Net deferred tax liabilities recognised on the consolidated statement of financial position	**(12,196)**	(9,690)
	(3,887)	(6,686)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2021 in respect of undistributed earnings of RMB1,248,375,000 (2020: RMB689,992,000) of PRC subsidiaries respectively because the Group has no plans to distribute these earnings outside the PRC in the foreseeable future.

22 CONTRACT LIABILITIES

	2021	2020
	RMB'000	RMB'000
Receipts in advance from customers for:		
Provision of treatment solutions for industrial solid and hazardous waste	**9,858**	3,568

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The contract liabilities are expected to be recognised as revenue within one year.

23 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were payable:

	2021	2020
	RMB'000	RMB'000
Within one year	**530**	1,010
After one year but within two years	**311**	478
After two year but within five years	**763**	719
After five years	**2,532**	2,768
Balance at the end of the year	**4,136**	4,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 2 March 2020 (date of incorporation)	–	–	–	–	–
Loss and total comprehensive income for the period	–	–	–	–	–
Issuance of ordinary shares	–	–	–	–	–
Balance at 31 December 2020 and 1 January 2021	**–**	**–**	**–**	**–**	**–**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**(13,319)**	**(13,319)**
Issuance of ordinary shares by capitalisation of the balance due to related parties	**–***	**1,199,004**	**–**	**–**	**1,199,004**
Deemed contribution from the ultimate parent company	**–**	**–**	**29,567**	**–**	**29,567**
Balance at 31 December 2021	**–***	**1,199,004**	**29,567**	**(13,319)**	**1,215,252**

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

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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 during the year 2020.

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, among which of RMB228,072,000 were paid during the year 2021.

No dividends were paid by the Company since the date of its incorporation.

(c) Share capital

The Company was incorporated on 2 March 2020 in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company's authorised share capital was HK$150,000,000 divided into 15,000,000,000 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 statement of financial position as at 31 December 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 26 August 2021, 27 August 2021, 30 August 2021 and 13 September 2021, the Company allotted and issued one share, one share, two shares and one share respectively to Conch Venture at the issue price of HKD0.01 per share to settle off the balance of amounts due to related parties amounting to RMB1,199,004,000 in total. The differences between the amounts due to related parties and share capital issued has been recorded in share premium.

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(ii) Capital reserve

Capital reserve arises from the following:

— *Deemed distributions to the controlling shareholder upon the Reorganisation*
The amount of RMB305,087,000 represents the consideration for acquisition of equity interests of Operating Companies from the Retained Group under common control upon the Reorganisation which is accounted for as deemed distribution; 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.

— Deemed contribution from the ultimate parent company amounting to RMB29,567,000 represents the liabilities waived by the ultimate parent company.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(iv) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of debt to asset ratio. The Group defines debt to asset ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the debt to asset ratio at a reasonable level. The Group's debt to asset ratio at 31 December 2021 and 2020 was as follow:

	2021 **RMB'000**	2020 RMB'000
Total liabilities	**4,420,301**	3,086,475
Total assets	**7,510,221**	4,888,112
Debt to asset ratio	**58.86%**	63.14%

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 31 December 2021, 6% (2020:4%) of the total trade and other receivables were due from the Group's largest customer respectively, 13% (2020: 10%) 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.

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

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and bills receivables:

	As at 31 December 2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**0.52%**	**674,854**	**(3,487)**
Less than 1 year past due	**11.22%**	**93,138**	**(10,446)**
1 to 2 years past due	**83.86%**	**7,684**	**(6,444)**
Over 2 years	**100.00%**	**2,596**	**(2,596)**
		778,272	**(22,973)**
Individual assessment	**100.00%**	**9,303**	**(9,303)**
		787,575	**(32,276)**

	As at 31 December 2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance 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)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and can be required to pay:

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	**748,084**	**439,898**	**1,899,403**	**304,934**	**3,392,319**	**3,043,861**
Trade and other payables	**1,330,427**	**–**	**–**	**–**	**1,330,427**	**1,330,427**
Lease liabilities	**530**	**313**	**847**	**3,718**	**5,408**	**4,136**
	2,079,041	**440,211**	**1,900,250**	**308,652**	**4,728,154**	**4,378,424**

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank, loan to related parties and interest-bearing borrowings, and their interest rates as at 31 December 2021 and 2020 are set out as follows:

	2021		2020	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate:				
Bank deposits with original maturity within three months	**N/A**	**–**	2.29%–3.28%	90,000
Bank deposits with original maturity over three months	**0.35%**	**1,680**	2.18%–2.29%	31,700
Amounts due from related parties	**7.00%**	**150,000**	7.20%	30,000
Loans and borrowings	**N/A**	**–**	7.00%	(82,500)
		151,680		69,200
Variable rate:				
Cash at bank and on hand	**0.30%**	**596,113**	0.30%	548,784
Restricted bank deposits	**0.30%–2.60%**	**58,149**	0.30%–1.75%	37,349
Loans and borrowings	**2.65%-4.65%**	**(3,043,861)**	3.60%–4.65%	(1,078,972)
		(2,389,599)		(492,839)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 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 RMB5,324,000 (2020: RMB1,278,000).

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

(d) Currency risk

The functional currency of the Group's subsidiaries in mainland China is RMB. Almost all the Group's operating activities are carried out in the mainland China with most of the transactions denominated in RMB. The Group considers the risk of movements in exchange rates to be insignificant.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial asset measured at FVPL — Investment in structured deposits	**15,000**	**–**	**15,000**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy (Continued)

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial asset measured at FVPL				
— Unlisted equity securities	82,500	–	–	82,500

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements
For the investment in structured deposits issued by banks that are measured at FVPL as at 31 December 2021, the fair value is determined by calculating based on the discounted cash flow method.

Information about Level 3 fair value measurements
The fair value of the Group's unlisted equity securities as at 31 December 2020 is determined with reference to the latest-round financing price of the securities, adjusted by unobservable inputs based on information such as the latest available financial information of the investee, where applicable.

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

All financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACQUISITION OF SUBSIDIARIES

(a) 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 interest 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 RMB'000	**Fair value adjustments** RMB'000	**Recognised values on acquisition** 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Dezhou Haizhong *(Continued)*

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 31 December 2021 were RMB26,663,000 and RMB7,453,000, respectively.

Had the acquisition occurred on 1 January 2021, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2021 would have no material changes.

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of Binzhou Environmental

On 19 April 2021, the Group acquired 70% equity interests 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 RMB'000	**Fair value adjustments** RMB'000	**Recognised values on acquisition** 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)

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of Binzhou Environmental *(Continued)*

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 31 December 2021.

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 profit that Binzhou Environmental contributed to the Group from the acquisition date to 31 December 2021 were RMB24,734,000 and RMB551,000 respectively.

Had the acquisition occurred on 1 January 2021, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2021 would have been RMB1,699,739,000 and RMB638,441,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) 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

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Acquisition of Sanming Haizhong *(Continued)*

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 31 December 2021 were RMB3,137,000 and RMB762,000 respectively.

Had the acquisition occurred on 1 January 2021, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2021 would have been RMB1,700,675,000 and RMB641,170,000 respectively.

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) 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 RMB'000	**Fair value adjustments** RMB'000	**Recognised values on acquisition** 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

26 ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) Acquisition of Bangda Environmental *(Continued)*

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 31 December 2020 were RMB99,042,000 and RMB36,527,000 respectively.

Had the acquisition occurred on 1 January 2020, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 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 31 December 2020:

	2020 RMB'000
Acquisition of Bangda Environmental	21,561
Others*	(1,432)
	20,129

* Balance for the year ended 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DISPOSAL OF A SUBSIDIARY

In December 2021, the Group entered into a sale and purchase of equity interest agreement with Conch Venture HK, a subsidiary controlled by Conch Venture, to dispose of its entire 65% equity interests in Conch Venture Shanghai, a non-wholly owned subsidiary of the Group, for an aggregate consideration of RMB65,000,000.

The net assets of the disposed subsidiary at the disposal date are set out as below:

	As at 28 December 2021 RMB'000
Property, plant and equipment	**79,210**
Right-of-use assets	**408,381**
Financial assets measured at FVPL	**82,500**
Trade and other receivables	**5,840**
Restricted bank deposits	**12,140**
Cash	**25,031**
Loans and borrowings	**(131,500)**
Trade and other payables	**(390,858)**
Net assets	**90,744**
Non-controlling interest	**(31,760)**
Net assets attributable to the Group	**58,984**
Gain on disposal of subsidiary:	
Total cash consideration	**65,000**
Less: net assets attributable to the Group disposal of	**58,984**
Add: recognition of unrealised profits arising from intra-group transactions	**7,693**
Gain on disposal of subsidiary	**13,709**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DISPOSAL OF A SUBSIDIARY *(Continued)*

Net cash inflow arising on disposal:

	RMB'000
Total cash consideration	65,000
Less: Cash held as at the date of disposal	(25,031)
Net cash inflow included in cash flows from investing activities	39,969

28 CAPITAL COMMITMENTS

At 31 December 2021, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted for	**504,362**	1,282,602
Authorised but not contracted for	**793,689**	1,657,329
	1,298,051	2,939,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party (i)	Relationship
China Conch Venture Holdings Limited (“Conch Venture”) 中國海螺創業控股有限公司	The ultimate parent company
China Conch Venture Holdings (HK) Limited (“Conch Venture HK”) 中國海創控股（香港）有限公司	Subsidiary of Conch Venture
Wuhu Conch Venture Enterprise Limited 蕪湖海創實業有限責任公司	Subsidiary of Conch Venture
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Lujiang Conch Venture Environmental Protection Technology Co., Ltd. 盧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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
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
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. ("Sanming Haizhong") 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Shanghai Chuangyue Real Estate Co., Ltd. ("Shanghai Chuangyue") (ii) 上海創玥置業有限公司	Subsidiary of Conch Venture
Shanghai Chuangle Real Estate Co., Ltd. ("Shanghai Chuangle") (ii) 上海創玏置業有限公司	Subsidiary of Conch Venture
Baoshan Haichuang Environmental Engineering Co., Ltd. 保山海創環境工程有限責任公司	Subsidiary of Conch Venture
Huayin Haichuang Environmental Technology Co., Ltd. 華陰海創環境科技有限責任公司	Subsidiary of Conch Venture
Shimen Haichuang Environmental Engineering Co., Ltd. 石門海創環境工程有限責任公司	Subsidiary of Conch Venture
Anhui Conch Building Materials Design and Research Institute Co., Ltd. 安徽海螺建材設計研究院有限責任公司	Subsidiary of Conch Holdings
Yantai Haichuang Jungle Environmental Protection Energy Co., Ltd. 煙台海創叢林環保能源有限責任公司	Subsidiary of Conch Venture
Conch Venture Environmental Technology (Shanghai) Co., Ltd. ("Conch Venture Shanghai") (ii) 海螺創業環保科技（上海）有限公司	Subsidiary of Conch Venture

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

(ii) In December 2021, the Group disposed of its entire 65% equity interest held in Conch Venture Shanghai to Conch Venture HK. After the disposal, Conch Venture Shanghai and its subsidiaries, Shanghai Chuangyue and Shanghai Chuangle, became the related parties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in Note 7 is as follows:

	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	**5,832**	4,317
Post-employment benefits	**87**	11
	5,919	4,328

(b) Significant related party transactions

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

	2021	2020
	RMB'000	RMB'000
Service rendered to:		
Conch Venture and its subsidiaries	**28,406**	6,596
Conch Holdings	**1**	2
Conch Profiles	**162**	141
Conch Cement	**1,083**	1,428
	29,652	8,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Purchase of goods and equipments from:		
Conch Venture and its subsidiaries	**648,982**	397,835
Conch Design Institute	**–**	1
Conch IT Engineering	**6,391**	960
Conch Holdings	**35**	33
Conch Profiles	**903**	538
Conch Cement	**8,603**	5,187
	664,914	404,554

	2021 RMB'000	2020 RMB'000
Services received from:		
Conch Venture and its subsidiaries	**9,230**	24,920
Conch Design Institute	**6,362**	6,898
Conch Holdings	**505**	64
Conch Cement	**69,605**	52,599
	85,702	84,481

	2021 RMB'000	2020 RMB'000
Purchase of right-of-use assets		
Conch Cement	**14,662**	35,044

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Loans to an associate		
Dezhou Haizhong	**–**	30,000

	2021 RMB'000	2020 RMB'000
Interest income		
Conch Venture and its subsidiaries	**7,693**	–
Dezhou Haizhong	**–**	708

	2021 RMB'000	2020 RMB'000
Loans from related parties		
Conch Venture and its subsidiaries	**–**	82,500

	2021 RMB'000	2020 RMB'000
Interest expense on loans		
Conch Venture and its subsidiaries	**5,855**	1,348

	2021 RMB'000	2020 RMB'000
Dividends paid		
Conch Venture and its subsidiaries	**228,072**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Repayment of amounts due from related parties		
Conch Venture and its subsidiaries	**93,868**	–

	2021 **RMB'000**	2020 RMB'000
Advances from related parties		
Conch Venture and its subsidiaries	**219,626**	708,261

	2021 **RMB'000**	2020 RMB'000
Repayment of amounts due to related parties		
Conch Venture and its subsidiaries	**565,236**	335,590

	2021 **RMB'000**	2020 RMB'000
Repayment of payables for acquisition in connection with Reorganisation		
Conch Venture and its subsidiaries	**50,000**	–

	2021 **RMB'000**	2020 RMB'000
Capitalization of amounts due to related parties		
Conch Venture and its subsidiaries	**1,199,004**	–

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Deemed contribution from the ultimate parent company		
Conch Venture and its subsidiaries	**29,567**	–

	2021 **RMB'000**	2020 RMB'000
Guaranteed by related parties in respect of the Group's bank loans		
Conch Venture and its subsidiaries	**–**	446,202

	2021 **RMB'000**	2020 RMB'000
Guarantees issued for related parties in respect of related parties' bank loans		
Conch Venture and its subsidiaries (i)	**49,000**	–

As at 31 December 2021, the Group has issued a guarantee for a bank loan of Conch Venture Shanghai amounting to RMB49,000,000, formerly a subsidiary of the Group (see Note 27). In February 2022, the Group has released its guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

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

	2021	2020
	RMB'000	RMB'000
Trade receivables:		
Conch Venture and its subsidiaries	**17,048**	2,946
Conch Profiles	**–**	22
Conch Cement	**77**	105
	17,125	3,073
Other receivables (non-trade):		
Conch Venture and its subsidiaries	**154,599**	178
Conch Cement	**173**	228
Conch IT Engineering	**94**	–
Dezhou Haizhong	**–**	30,066
	154,866	30,472

	2021	2020
	RMB'000	RMB'000
Loans and borrowings		
Conch Venture and its subsidiaries	**–**	82,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Trade payables:		
Conch Venture and its subsidiaries	**327**	189
Conch Cement	**32,597**	19,045
	32,924	19,234
Other payables (non-trade):		
Conch Venture and its subsidiaries	**504,728**	1,143,957
Conch Cement	**163**	256
Conch IT Engineering	**2,238**	1,104
Conch Design Institute	**2,264**	1,505
Conch Profiles	**6**	18
	509,399	1,146,840

	2021 RMB'000	2020 RMB'000
Dividends receivable		
Jiexia Environmental Protection	**–**	6,400

	2021 RMB'000	2020 RMB'000
Dividends payable		
Conch Venture and its subsidiaries	**36,247**	264,319

Except for the amount due from Shanghai Chuangyue of RMB150,000,000 as at 31 December 2021 which bears interest at rate of 7.0% per annum and will be repaid within one year, all other amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand.

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Non-current assets			
Investment in a subsidiary		**671,464**	–
Trade and other receivables		**525,566**	–
		1,197,030	–
Current assets			
Trade and other receivables		**25,891**	–
Cash and cash equivalents		**911**	–
		26,802	–
Current liabilities			
Trade and other payables		**8,580**	–
Net current assets		**18,222**	–
Total assets less current liabilities		**1,215,252**	–
Capital and reserves	24(a)		
Share capital		**–***	–
Reserves		**1,215,252**	–
Total equity		**1,215,252**	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

Pursuant to the written resolution dated 16 March 2022, the Company allotted and issued a total of 1,826,764,954 ordinary shares to Conch Venture credited as fully paid at par value of HK$0.01 each by way of capitalisation of capital reserve for the purpose of distribution in specie to the qualifying shareholders of Conch Venture in proportion to their respective shareholding in Conch Venture.

(b) 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 new 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 number of 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.

(c) The Spin-off and Listing

On 30 March 2022, the Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited by way of introduction of the entire issued share capital of the Company. Upon the Listing, the Company has issued capital of 1,826,765,059 ordinary shares with a par value of HK$0.01 per share.

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