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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 586)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Revenue of the Group for 2018 amounted to approximately RMB2,889.59 million (2017: RMB2,064.95 million), representing an increase of 39.94% as compared to 2017.
- Net profit attributable to equity shareholders of the Group for 2018 amounted to approximately RMB5,947.27 million (2017: RMB3,403.00 million), representing an increase of 74.77% as compared to 2017.
- Net profit (excluding share of profit of an associate) of our principal activities attributable to equity shareholders of the Group for 2018 amounted to approximately RMB672.10 million (2017: RMB447.43 million), representing an increase of 50.21% as compared to 2017.
- Basic earnings per share for 2018 amounted to RMB3.30 (2017: RMB1.89).
- The Board recommended the distribution of a final cash dividend of HK\$0.55 per share for 2018 (2017: HK\$0.50).

The board of directors (the “**Board**”) of China Conch Venture Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results and financial positions for the year ended 31 December 2018 (the “**Reporting Period**”) of the Company and its subsidiaries (the “**Group**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	<i>Note</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	3	2,889,592	2,064,951
Cost of sales		<u>(1,763,324)</u>	<u>(1,341,627)</u>
Gross profit		1,126,268	723,324
Other income	4	162,854	193,921
Distribution costs		(57,240)	(46,226)
Administrative expenses		<u>(180,476)</u>	<u>(171,405)</u>
Profit from operations		1,051,406	699,614
Finance costs	5(a)	(75,041)	(24,074)
Share of profit of an associate		<u>5,275,171</u>	<u>2,955,569</u>
Profit before taxation	5	6,251,536	3,631,109
Income tax	6(a)	<u>(189,391)</u>	<u>(126,069)</u>
Profit for the year		<u>6,062,145</u>	<u>3,505,040</u>
Attributable to:			
Equity shareholders of the Company		5,947,269	3,403,002
Non-controlling interests		<u>114,876</u>	<u>102,038</u>
Profit for the year		<u>6,062,145</u>	<u>3,505,040</u>
Earnings per share			
Basic (RMB)	7(a)	<u>3.30</u>	<u>1.89</u>
Diluted (RMB)	7(b)	<u>3.26</u>	<u>1.89</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> <i>(Note)</i>
Profit for the year	6,062,145	3,505,040
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate, net of tax	(27,119)	–
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of an associate, net of tax	(26,123)	(101,801)
Exchange differences on translation of financial statements of overseas subsidiaries	(1,851)	–
	(55,093)	(101,801)
Total comprehensive income for the year:	6,007,052	3,403,239
Attributable to:		
Equity shareholders of the Company	5,892,176	3,301,201
Non-controlling interests	114,876	102,038
Total comprehensive income for the year	6,007,052	3,403,239

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

(Expressed in Renminbi Yuan)

	<i>Note</i>	2018 RMB'000	2017 <i>RMB'000</i> <i>(Note)</i>
Non-current assets			
Property, plant and equipment		1,725,038	1,281,802
Lease prepayments		271,354	207,254
Intangible assets		1,604,173	704,408
Interest in an associate	9	20,782,760	16,240,675
Non-current portion of service concession assets	10	2,374,146	—
Non-current portion of trade and other receivables	11	334,334	2,059,087
Deferred tax assets		54,001	58,635
		27,145,806	20,551,861
Current assets			
Inventories		162,721	128,193
Service concession assets	10	15,940	—
Trade and other receivables	11	1,101,069	993,343
Restricted bank deposits		12,613	20,075
Bank deposits with maturity over three months		2,104,308	25,000
Cash and cash equivalents		2,673,845	1,457,745
		6,070,496	2,624,356
Current liabilities			
Bank Loans		71,800	482,300
Trade and other payables	12	1,974,026	1,403,973
Contract liabilities		14,177	—
Income tax payable		111,306	34,129
		2,171,309	1,920,402
Net current assets		3,899,187	703,954
Total assets less current liabilities		31,044,993	21,255,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2018**(Expressed in Renminbi Yuan)*

	<i>Note</i>	2018 RMB'000	2017 <i>RMB'000</i> <i>(Note)</i>
Non-current liabilities			
Bank loans		1,195,700	44,500
Convertible bonds	13	3,383,432	–
		4,579,132	44,500
Net assets		26,465,861	21,211,315
Capital and reserves			
Share capital		14,347	14,347
Reserves		25,738,470	20,563,404
Equity attributable to equity shareholders of the Company		25,752,817	20,577,751
Non-controlling interests		713,044	633,564
Total equity		26,465,861	21,211,315

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that equity investments are stated at their fair value.

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

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

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(b) IFRS 9, *Financial instruments*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has elected to use the cumulative effect transition method and has applied IFRS 9 retrospectively to items that existed at 1 January 2018. Comparative information is not restated.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede IAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial assets and financial liabilities of the Group remain the same under IFRS 9. The carrying amounts for all financial assets and financial liabilities as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, bank deposits and trade and other receivables); and
- service concession assets (see note 10).

As a result of this change in accounting policy, there are no additional ECLs recognised at 1 January 2018 due to an immaterial impact.

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue from sale of goods was recognised at a point in time when risks and rewards of ownership of the goods had passed to the customers, revenue from construction contracts are recognised over time, and revenue arising from provision of services was recognised when the relevant service is rendered without further performance obligations.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when and how the Group recognises revenue.

(ii) *Presentation of service concession assets and contract liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. 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.

Upon the adoption of IFRS 15, the Group's "service concession assets", representing contract assets under IFRS 15 and included in "gross amounts due from customers for construction contract work" and certain other receivables related to service concession arrangements included in "trade and other receivables" in previously issued financial statements of the Group for the year ended 31 December 2017, have been separately disclosed in the consolidated statement of financial position as at 1 January 2018.

To reflect these changes in presentation, the Group has made the following reclassification adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

- "Gross amounts due from customers for construction contract work" amounting to RMB1,855,822,000, which were previously included in "non-current portion of trade and other receivables" (note 11) are now reclassified to "non-current portion of service concession assets" (note 10), which includes both contract assets as defined under IFRS 15 and receivables related with service concession arrangements.
- "Gross amounts due from customers for construction contract work" amounting to RMB14,026,000, which were previously included in "trade and other receivables" (note 11) are now included under "service concession assets" (note 10).
- "Receipts in advance" amounting to RMB12,837,000, which were previously included in "trade and other payables" (note 12) are now included under "contract liabilities".

(iii) *Other impacts*

The Group's assessment is that the impact of IFRS 15 in other areas including customer rights of return, principle vs agent arrangements, customer financing, warranty and incremental costs for contracts is not significant as either the respective volume of transactions are not material or the new standard has not led to a change in accounting treatment.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Energy preservation and environmental protection solutions		
Solid waste solutions	394,958	113,636
Waste incineration solutions (i)	1,723,623	1,173,299
Energy saving equipment	461,260	536,721
	<hr/>	<hr/>
Subtotal	2,579,841	1,823,656
Port logistics services	197,652	154,885
Sale of new building materials	112,099	86,410
	<hr/>	<hr/>
Total	2,889,592	2,064,951
	<hr/>	<hr/>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue from waste incineration project construction services	1,486,735	1,036,475
Revenue from waste incineration project operation services	143,220	65,100
Finance income	93,668	71,724
	<hr/>	<hr/>
Total	1,723,623	1,173,299
	<hr/>	<hr/>

The Group had transactions with certain PRC local government authorities which in aggregate exceeded 10% of the Group's revenue. Revenue from waste incineration solutions under BOT arrangement derived from these local government authorities in the PRC for the year ended 31 December 2018 amounting to RMB1,573,974,000 (2017: RMB1,051,596,000). Furthermore, the Group had transactions with one corporate customer the aggregate amount of which had exceeded 10% of the Group's revenue in 2018 (2017: one). Revenue from this customer in 2018 amounted to RMB446,485,000 (2017: RMB424,537,000).

(b) Segment reporting

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

- (1) Energy preservation and environmental protection solutions: this segment includes manufacturing and sales of residual heat power generation, vertical mill, waste incineration solutions, solid waste solutions, and related after-sales services.
 - (2) Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.
 - (3) New building materials: this segment mainly engages in alternative wall building materials, such as the cellulose fiber cement sheets, autoclaved boards and wood wool cement boards and currently in initial expansion stage.
 - (4) Investments: this segment comprises investment in Anhui Conch Holdings Co., Ltd. ("**Conch Holdings**").
- (i) For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

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

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

The measure used by the Group's senior executive management to assess segment results is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

	Year ended 31 December 2018					
	Energy preservation and environmental protection solutions <i>RMB'000</i>	Port logistics services <i>RMB'000</i>	New building materials <i>RMB'000</i>	Investments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition						
Point in time	1,070,738	197,652	112,099	–	–	1,380,489
Over time	1,509,103	–	–	–	–	1,509,103
Reportable segment revenue	2,579,841	197,652	112,099	–	–	2,889,592
Reportable segment profit/(loss) before taxation	915,306	94,489	(12,626)	5,275,171	(20,804)	6,251,536
Interest income	44,546	123	461	–	26,405	71,535
Interest expenses	36,849	900	–	–	37,292	75,041
Depreciation and amortisation	52,041	43,553	15,088	–	–	110,682
Reversal of loss allowance — trade and other receivables	(27,798)	–	–	–	–	(27,798)
Reportable segment assets	8,128,128	479,236	497,773	20,782,760	3,328,405	33,216,302
Reportable segment liabilities	3,261,933	29,801	44,740	–	3,413,967	6,750,441

Year ended 31 December 2017

	Energy preservation and environmental protection solutions <i>RMB'000</i>	Port logistics services <i>RMB'000</i>	New building materials <i>RMB'000</i>	Investments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	1,823,656	154,885	86,410	—	—	2,064,951
Reportable segment profit/(loss) before taxation	638,975	49,760	(11,776)	2,955,569	(1,419)	3,631,109
Interest income	56,492	277	3,932	—	723	61,424
Interest expenses	21,255	2,819	—	—	—	24,074
Depreciation and amortisation	27,584	42,894	15,401	—	—	85,879
Reversal for impairment losses — trade and other receivables	(5,659)	—	—	—	—	(5,659)
— inventories	—	—	(661)	—	—	(661)
Reportable segment assets	5,868,958	510,957	518,364	16,240,675	37,263	23,176,217
Reportable segment liabilities	1,830,694	81,083	53,039	—	86	1,964,902

(ii) *Geographic information*

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue		
Mainland China	2,585,651	1,744,072
Asia (except Mainland China)	298,913	319,785
North America	4,941	—
South America	—	227
Africa	—	867
Oceanica	87	—
	2,889,592	2,064,951

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

4 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits and cash at bank	71,535	61,424
Government grants (i)	92,491	132,137
Net loss on disposal of property, plant and equipment	(61)	(155)
Exchange (loss)/gain	(1,111)	515
	162,854	193,921

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2018 RMB'000	2017 RMB'000
Interest on bank loans	44,538	24,074
Interest on convertible bonds	37,126	–
Less: interest expense capitalised into construction in progress and intangible assets	(6,623)	–
	75,041	24,074

The borrowing costs were capitalised at a rate of 3.30%–4.45% per annum for the year ended 31 December 2018. (2017: not applicable).

(b) Staff costs:

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	175,699	138,537
Contributions to defined contribution plans (i)	23,681	15,525
	199,380	154,062

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

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

(c) Other items:

	2018 RMB'000	2017 RMB'000
Cost of inventories [#]	596,243	569,400
Cost of construction services [#]	1,167,081	772,227
Depreciation [#]	89,618	75,267
Amortisation of lease prepayments [#]	5,434	4,750
Amortisation of intangible assets [#]	15,630	5,862
Research and development costs	23,172	18,425
Reversal of loss allowance for trade receivables	(27,798)	(5,659)
Operating lease charges	7,092	6,336
Auditors' remuneration	2,226	1,943

[#] Cost of inventories and cost of construction services include RMB174,471,000 (2017: RMB129,398,000) relating to staff costs, depreciation, amortisation of lease prepayments and intangible assets, which amount is also included in the 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:

	2018 RMB'000	2017 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	50	—
Current tax — PRC income tax		
Provision for the year	183,425	117,993
Under-provision in respect of prior years	1,282	78
	184,757	118,071
Deferred tax:		
Origination and reversal of temporary differences	4,634	7,998
	189,391	126,069

- (a) 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.

- (b) The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (c) The PRC income tax law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

The Group has provided withholding tax of RMB42,000,000 in relation to the dividend declared by certain of its PRC subsidiaries to outside of Mainland China (2017: Nil).

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

- (d) 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, except for:

Name of companies (i)	Preferential income tax rate
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司 (ii)	15%
Pingliang Conch Venture Environment Engineering Co., Ltd. 平涼海創環境工程有限責任公司 (iii)	15%
Yuping Conch Venture Environment Engineering Co., Ltd. 玉屏海創環境科技有限責任公司 (iii)	15%
Xishui Conch Venture Environment Engineering Co., Ltd. 習水海創環境工程有限責任公司 (iii)	15%
Shuicheng Conch Venture Environment Engineering Co., Ltd. 水城海創環境工程有限責任公司 (iii)	15%
Baoshan Conch Venture Environment Engineering Co., Ltd. 保山海創環境工程有限責任公司 (iii)	15%
Lingyun Conch Venture Environment Engineering Co., Ltd. 凌雲海創環境工程有限責任公司 (iii)	15%
Guiyang Conch Venture Environment Engineering Co., Ltd. 貴陽海創環境工程有限責任公司 (iii)	15%
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. 西安堯柏環保科技工程有限公司 (iii)	15%
Xianyang Conch Venture Environment Engineering Co., Ltd. 咸陽海創環境工程有限責任公司 (iii)	15%
Tongren Conch Venture Environment Engineering Co., Ltd. 銅仁海創環境工程有限責任公司 (iii)	15%

Name of companies (i)	Preferential income tax rate
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. 漢中堯柏環保科技工程有限公司 (iii)	15%
Nanjiang Conch Venture Environment Engineering Co., Ltd. 南江海創環境工程有限責任公司 (iii)	15%
Fusui Conch Venture Environment Engineering Co., Ltd. 扶綏海創環境工程有限責任公司 (iii)	15%
Yanshan Conch Venture Environment Engineering Co., Ltd. 硯山海創環境工程有限責任公司 (iii)	15%
Xing'an Conch Venture Environment Technology Co., Ltd. 興安海創環境科技有限責任公司 (iii)	15%
Kunming Conch Venture Environment Engineering Co., Ltd. 昆明海創環境工程有限責任公司 (iii)	15%
Qianyang Conch Venture Environmental Technology C., Ltd. 千陽海創環保科技有限責任公司 (iii)	15%

- (i) The English translation of the names is for reference only. The official names of these entities are in Chinese.
- (ii) CK Equipment was accredited as a “High and New Technology Enterprise” (“**HNTE**”) and was entitled to a preferential income tax rate of 15% for a period of three years from 2017 to 2019.
- (iii) Pursuant to Notice No.14 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities’ notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.
- (e) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in waste incineration solutions and solid waste solutions are eligible for a preferential tax treatment of income tax exemption for the first three years starting from which revenue is generated and 50% income tax reduction for the next three years.

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	6,251,536	3,631,109
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	1,583,820	911,273
PRC tax concessions	(118,918)	(46,390)
PRC dividend withholding tax	42,000	–
Under-provision in respect of prior years	1,282	78
Share of profit of an associate	(1,318,793)	(738,892)
Income tax expense	189,391	126,069

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,947,269,000 (2017: RMB3,403,002,000) and 1,804,750,000 (2017: 1,804,750,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,984,395,000 (2017: RMB3,403,002,000) and the weighted average number of ordinary shares of 1,837,312,000 (2017: 1,804,750,000), calculated as below:

(i) Profit attributable to ordinary equity shareholders of the company (diluted)

	2018 RMB'000	2017 RMB'000
Profit attributable to ordinary equity shareholders	5,947,269	3,403,002
After tax effect of effective interest on the liability component of convertible bonds	37,126	–
Profit attributable to ordinary equity shareholders (diluted)	5,984,395	3,403,002

(ii) Weighted average number of ordinary shares (diluted)

	2018 '000	2017 '000
Weighted average number of ordinary shares at 31 December	1,804,750	1,804,750
Effect of conversion of convertible notes (note 13)	32,562	–
Weighted average number of ordinary shares (diluted) at 31 December	1,837,312	1,804,750

8 DIVIDENDS

Pursuant to a resolution passed at the Directors' meeting on 21 March 2019, a final dividend of HKD0.55 (2017: HKD0.50) per ordinary share totalling HKD992,613,000, equivalent to approximately RMB847,989,000, (2017: HKD902,375,000, equivalent to approximately RMB771,576,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2018.

9 INTEREST IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Share of net assets	20,782,760	16,240,675

The particulars of the associate are as follows:

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

The particulars of Conch Holdings' investment holdings as at 31 December 2018 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Anhui Conch Cement Co., Ltd. (安徽海螺水泥股份有限公司)	Incorporated	The PRC	5,299,302,579 ordinary shares of RMB1 each	36.40%	Manufacture and sale of cement related products
Wuhu Conch Profiles and Science Co., Ltd. (蕪湖海螺型材科技 股份有限公司)	Incorporated	The PRC	360,000,000 ordinary shares of RMB1 each	33.44%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute (安徽海螺建材設計研究院)	Incorporated	The PRC	RMB60,000,000	100%	Design and contract cement/light steel construction
Yingde Conch International Hotel Co., Ltd. (英德海螺國際 大酒店有限公司)	Incorporated	The PRC	RMB63,800,000	100%	Hotel service
Wuhu Conch International Hotel Co., Ltd. (蕪湖海螺國際 大酒店有限公司)	Incorporated	The PRC	RMB168,500,000	100%	Hotel service
Anhui Conch IT Engineering Co., Ltd. (安徽海螺信息技術 工程有限責任公司)	Incorporated	The PRC	RMB5,000,000	100%	Computer system design and development
Anhui Conch Investment Co., Ltd. (安徽海螺投資有限責任公司)	Incorporated	The PRC	RMB500,000,000	100%	Investment holding
State Power Investment and Anhui Conch Electricity Co., Ltd. (國家電投集團 安徽海螺售電有限公司)	Incorporated	The PRC	RMB200,000,000	50%	Electricity development
Wuhu Conch Trading Co., Ltd. (蕪湖海螺貿易有限公司)	Incorporated	The PRC	RMB100,000,000	100%	Trading
Anhui International Trade Group Holding Co., Ltd. (安徽國貿 集團控股有限公司)	Incorporated	The PRC	RMB661,111,111	55%	Investment holding and trading

10 SERVICE CONCESSION ASSETS

	At 31 December 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Current	15,940	14,026	–
Non-current	2,374,146	1,855,822	–
	<u>2,390,086</u>	<u>1,869,848</u>	<u>–</u>

The service concession assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2017: 6.01% to 9.41%) per annum as at 31 December 2018 and relate to certain BOT arrangements of the Group. The amounts are not yet due for payment and will be settled during the operating periods of the arrangements. Among the total of RMB2,390,086,000 (2017: RMB1,869,848,000), RMB959,065,000 (2017: RMB663,439,000) relates to BOT arrangements which are in construction phase and should be deemed as contract assets as defined under IFRS 15.

11 TRADE AND OTHER RECEIVABLES

	At 31 December 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Trade receivables	632,601	596,434	596,434
Bills receivable	60,147	106,373	106,373
Less: allowance for doubtful debts	(50,284)	(80,673)	(80,673)
Trade and bills receivables	<u>642,464</u>	<u>622,134</u>	<u>622,134</u>
Gross amounts due from customers for construction contract work (note)	–	–	38,032
Deposits and prepayments	85,937	79,680	79,680
Other receivables	187,992	125,942	125,942
Interest receivables	<u>21,730</u>	<u>6,694</u>	<u>6,694</u>
Amounts due from third parties	938,123	834,450	872,482
Amounts due from related parties	<u>162,946</u>	<u>120,861</u>	<u>120,861</u>
Current portion of trade and other receivables	<u>1,101,069</u>	<u>955,311</u>	<u>993,343</u>
Non-current portion of gross amounts due from customers for construction contract work (note)	–	–	1,857,463
Other receivables to be recovered after one year	<u>334,334</u>	<u>201,624</u>	<u>201,624</u>
Non-current portion of trade and other receivables	<u>334,334</u>	<u>201,624</u>	<u>2,059,087</u>
Total current and non-current trade and other receivables	<u>1,435,403</u>	<u>1,156,935</u>	<u>3,052,430</u>

Note: The Group has initially applied IFRS 15 using the cumulative effect transition method and adjusted the opening balance at 1 January 2018.

Upon the adoption of IFRS 15, gross amount due from customers for construction contract work is reclassified to service concession assets in relation to BOT arrangements (31 December 2017: RMB1,869,848,000). Gross amount due from customers for construction contract work other than BOT arrangements amounted to Nil as at 31 December 2018 (31 December 2017: RMB25,647,000).

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

As at 31 December 2018, the Group endorsed undue bills receivable of RMB361,702,000 (2017: RMB231,804,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2018, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB361,702,000 (2017: RMB231,804,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

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

(a) Ageing analysis

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

	2018 RMB'000	2017 RMB'000
Current	590,253	561,677
Less than 1 year	27,560	34,492
1 to 2 years	22,926	17,981
2 to 3 years	1,725	7,984
	642,464	622,134

(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:

	2018 RMB'000	2017 RMB'000
At the beginning of the year	80,673	113,357
Reversal of loss allowance (<i>note</i>)	(27,798)	(5,659)
Written off	(2,591)	(27,025)
At the end of the year	50,284	80,673

The Group has initially applied IFRS 9 using the cumulative effect transition method. Upon the adoption of IFRS 9, no additional ECLs were recognised at 1 January 2018 due to an immaterial impact.

Note: Collection of past due receivables net of origination and new past due receivables resulted in a reversal of loss allowance during 2018 and 2017.

12 TRADE AND OTHER PAYABLES

	At 31 December 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Trade payables	1,131,307	821,070	821,070
Bills payable	403,095	189,963	189,963
	1,534,402	1,011,033	1,011,033
Receipts in advance (<i>note</i>)	–	–	12,837
Other payables and accruals	359,255	315,037	315,037
Amounts due to third parties	1,893,657	1,326,070	1,338,907
Amounts due to related parties	80,369	65,066	65,066
Trade and other payables	1,974,026	1,391,136	1,403,973

Note: As a result of the adoption of IFRS15, receipts in advance are reclassified to contract liabilities as at 1 January 2018 (see note 2(c)).

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

	2018 RMB'000	2017 RMB'000
Within 1 year	1,460,204	942,235
1 year to 2 years	64,391	48,580
2 years to 3 years	8,592	16,350
Over 3 years but within 5 years	1,215	3,868
	1,534,402	1,011,033

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

13 CONVERTIBLE BONDS

On 5 September 2018, China Conch Venture Holdings International Limited, a subsidiary of the Company, issued zero coupon guaranteed convertible bond (“**the Bonds**”) with aggregate principal amount of HKD 3,925,000,000 (equivalent to approximately RMB 3,413,730,000) and received cash after deduction of transaction costs of HKD 3,882,043,000 (equivalent to approximately RMB 3,376,369,000).

Pursuant to the terms of the Bonds, the Bonds will be due in September 2023 and are guaranteed by the Company. The bond holders could convert part of or the entire outstanding bond balances at the holder’s option into fully paid ordinary shares of the Company at an initial conversion price of HKD40.18 per share, subject to adjustments under certain terms and conditions of the Bonds.

The convertible bonds can be settled by exchange of a fixed amount of cash in HKD with a fixed number of the Company’s equity instruments.

The movements of the components of the convertible bonds during current period are set out below:

	Liability component (At amortised cost) RMB’000	Equity component (Residual amount) RMB’000	Total RMB’000
At the date of issuance	3,321,903	54,466	3,376,369
Interest charge (<i>note 5(a)</i>)	37,126	–	37,126
Exchange adjustment	24,403	–	24,403
	<hr/>	<hr/>	<hr/>
At 31 December 2018	<u>3,383,432</u>	<u>54,466</u>	<u>3,437,898</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ENVIRONMENT

In 2018, China's economy demonstrated a relatively stable development trend. The annual GDP recorded a year-on-year increase of 6.6%, basically having achieved the expected target. However, the current global economic situation is undergoing profound and complex changes. Reforms in certain key areas in China are gradually deepening. The economy in China is shifting from high-speed development to high-quality development. Uncertainties in the economy has created difficulties for the development of entity enterprises.

From the perspective of industry development, the environmental protection industry is still attracting focus and support in China. This is largely in line with the development direction of the Company. In the next three to five years, the company is at the strategic position to break through challenges and welcome brighter future.

BUSINESS REVIEW

In 2018, under the leadership of the Board of the Company, the Group took the initiative to adapt to the new trend of economic development, firmly grasped the strategic opportunities in China to promote green development and ecological civilization construction by closely adhered to the two key topics of rapid development and quality and efficiency enhancement. The development of environmental protection business achieved remarkable results and new building materials and port logistics businesses steadily improved. The Company as a whole presented a steady upward trend of development.

Achieving Remarkable Results in the Development of Environmental Protection Business

During the Reporting Period, the Group secured 18 new environmental protection projects, which include 6 solid waste treatment projects in Liangping, Chongqing City, Tongchuan, Shaanxi Province, Qingzhen, Guizhou Province, Xianyang, Shaanxi Province, Linxiang, Hunan Province, and Baoshan, Yunnan Province; 10 grate furnace power generation projects in Shizhu, Chongqing City, Shucheng, Anhui Province, Xishui, Guizhou Province, Tongchuan, Shaanxi Province, Liquan, Shaanxi Province, Fuquan, Guizhou Province, Baoshan, Yunnan Province, Zhenxiong, Yunnan Province, Manzhouli, Inner Mongolia Region, Lujiang, Anhui Province, and 1 black odor water treatment project in Sanshan District, Wuhu. In addition, a Memorandum of Understanding of the grate furnace power generation project in Thai Nguyen, Vietnam was duly signed. The Group's international environmental protection business achieved a new breakthrough.

1. Solid waste treatment

During the Reporting Period, the Group established the solid and hazardous waste management committee. After nearly a year of exploration and operation, the committee has achieved remarkable results in business development, market expansion and project construction management. Due to the innovative management structure of the Group, the profits of the solid waste treatment segment increased significantly and contributed to the improvement of operating efficiency of the Group. Moreover, Yaobai Environmental commenced inter-provincial transfer business and accumulated experience for the future development of hazardous waste market outside the province. At the same time, the Group paid attention to the standardized management of construction and confirmed the key tone of Huizhou style architecture appearance of solid waste treatment project, and built its group image and demonstrated its corporate culture with unique visual experience.

Details of solid waste treatment projects are set out in the following table:

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Expected Completion Date	Remarks
1	Completed	Lantian County, Shaanxi Province	90,000 tonnes per year		Completed in January 2015	General solid waste
2		Fuping County, Shaanxi Province	100,000 tonnes per year	100,000 tonnes per year	Completed in April 2016	
3		Qian County, Shaanxi Province	70,000 tonnes per year	63,600 tonnes per year	Completed in April 2017	
4		Mian County, Shaanxi Province	45,000 tonnes per year		Completed in October 2017	General solid waste
5		Qianyang County, Shaanxi Province	100,000 tonnes per year	100,000 tonnes per year	Completed in October 2018	
6		Huaining County, Anhui Province	70,000 tonnes per year		Completed in September 2017	General solid waste
7		Huaibei City, Anhui Province	70,000 tonnes per year		Completed in December 2017	General solid waste
8		Wuhu City, Anhui Province	2×100,000 tonnes per year	Phase1: 68,000 tonnes per year Phase 2: 55,000 tonnes per year	Phase 1: completed in December 2017 Phase 2: completed in November 2018	
9		Yiyang County, Jiangxi Province (Phase 1)	100,000 tonnes per year	85,000 tonnes per year	Completed in May 2018	
10		Xingye County, Guangxi Province (Phase 1)	100,000 tonnes per year	95,000 tonnes per year	Completed in August 2018	
11		Suzhou City, Anhui Province (Phase 1)	100,000 tonnes per year	45,000 tonnes per year	Completed in August 2018	
Subtotal			1,045,000 tonnes per year	611,600 tonnes per year		

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Expected Completion Date	Remarks
12	Under construction	Zhong County, Chongqing City	2×100,000 tonnes per year		April 2019	
13		Yiyang County, Jiangxi Province (Phase 2)	100,000 tonnes per year		June 2019	
14		Wenshan City, Yunnan Province (Phase 1)	100,000 tonnes per year		July 2019	
15		Xianyang City, Shaanxi Province	300,000 tonnes per year		August 2019	General solid waste
16		Liangping District, Chongqing City	100,000 tonnes per year		October 2019	General solid waste
17		Xingye County, Guangxi Province (Phase 2)	100,000 tonnes per year		October 2019	
18		Qingzhen City, Guizhou Province	100,000 tonnes per year		October 2019	
19		Tongchuan City, Shaanxi Province	100,000 tonnes per year		October 2019	
20		Sishui County, Shandong Province	100,000 tonnes per year		November 2019	
21		Guangyuan City, Sichuan Province	100,000 tonnes per year		December 2019	General solid waste
22		Qiyang County, Hunan Province	100,000 tonnes per year		December 2019	
Subtotal			1,400,000 tonnes per year			
23	Approved and under planning	Suzhou City, Anhui Province (Phase 2)	100,000 tonnes per year		/	
24		Wenshan City, Yunnan Province (Phase 2)	100,000 tonnes per year			
25		Linxiang City, Hunan Province	100,000 tonnes per year			
26		Baoshan City, Yunnan Province	100,000 tonnes per year			Cement kiln treatment changed to solid waste treatment
Subtotal			400,000 tonnes per year			
Total			2,845,000 tonnes per year			

As at the end of the Reporting Period, 11 solid waste treatment projects of the Group were completed, representing an annual capacity of 1,045,000 tonnes. A total of 22 solid waste treatment projects were secured and/or completed, representing a treatment capacity of approximately 2,845,000 tonnes per year.

During the Reporting Period, a total of 403,400 tonnes of solid and hazardous waste were received, among which 137,200 tonnes were hazardous waste and 266,200 tonnes were general solid waste.

2. Grate Furnace Power Generation

During the Reporting Period, the Group entered into a contract for the project in Thai Nguyen, Vietnam, which represented a breakthrough in our first overseas project and further improvement of the international business of the Group. In addition, the Group won a large-scale project with annual treatment capacity of 1 million tonnes in Xianyang City, Shaanxi Province, which demonstrated its remarkable comprehensive strength.

In 2018, the Group innovated its management model, established a benchmarking management system for grate furnace power generation, and analyzed quantitatively improvement room of the power generation capacity of its subsidiaries. At the same time, supervision and guidance of production operation organization were strengthened to further improve the quality of production operation.

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

No.	Status of Construction	Project Location	Capacity	Expected Completion Date	Remarks
1	Completed	Jinzhai County, Anhui Province	100,000 tonnes per year	Completed in January 2016	
2		Tongren City, Guizhou Province	2×100,000 tonnes per year	Completed in July 2017	
3		Yanshan County, Yunnan Province	70,000 tonnes per year	Completed in August 2017	
4		Huoqiu County, Anhui Province (Phase 1)	140,000 tonnes per year	Completed in January 2018	
5		Li County, Hunan Province (Phase I)	100,000 tonnes per year	Completed in April 2018	
6		Songming County, Yunnan Province	100,000 tonnes per year	Completed in January 2019	
7		Shanggao County, Jiangxi Province	140,000 tonnes per year	February 2019	
Subtotal			850,000 tonnes per year		

No.	Status of Construction	Project Location	Capacity	Expected Completion Date	Remarks
8	Under construction	Huoqiu County, Anhui Province (Phase 2)	140,000 tonnes per year	March 2019	
9		Shache County, Xinjiang Region	2×100,000 tonnes per year	June 2019	
10		Bole City, Xinjiang Region	100,000 tonnes per year	June 2019	
11		Yiyang County, Jiangxi Province	2×100,000 tonnes per year	Phase 1: May 2019 Phase 2: July 2019	To be constructed in two phases
12		Sishui County, Shandong Province	140,000 tonnes per year	June 2019	
13		Yang County, Shaanxi Province	100,000 tonnes per year	September 2019	
14		Li County, Hunan Province (Phase 2)	140,000 tonnes per year	October 2019	
15		Baoshan City, Yunnan Province	2×140,000 tonnes per year	December 2019	To be constructed in two phases
16		Fuquan City, Guizhou Province	100,000 tonnes per year	December 2019	
17		Lujiang County, Anhui Province (Phase 1)	180,000 tonnes per year	December 2019	
18		Shizhu County, Chongqing City	100,000 tonnes per year	January 2020	
19		Xianyang City, Shaanxi Province	2×500,000 tonnes per year	June 2020	
Subtotal			2,680,000 tonnes per year		
20	Approved and under planning	Huoshan County, Anhui Province	140,000 tonnes per year	/	
21		Shucheng County, Anhui Province	140,000 tonnes per year		
22		Tongchuan City, Shaanxi Province	180,000 tonnes per year		
23		Xishui County, Guizhou Province	2×140,000 tonnes per year		To be constructed in two phases
24		Thai Nguyen, Vietnam	180,000 tonnes per year		
25		Manzhoujiao City, Inner Mongolia Region	140,000 tonnes per year		
26		Zhenxiong County, Yunnan Province	2×180,000 tonnes per year		To be constructed in two phases
27		Lujiang County, Anhui Province (Phase 2)	180,000 tonnes per year		
Subtotal			1,600,000 tonnes per year		
Total			5,130,000 tonnes per year		

As at the end of the Reporting Period, 5 grate furnace power generation projects were completed and put into operation, with an annual capacity of 610,000 tonnes. A total of 24 grate furnace power generation projects were secured and/or completed, representing a treatment capacity of approximately 5,130,000 tonnes per year.

During the Reporting Period, a total of 580,000 tonnes of waste were treated and 197 million kWh of electricity were generated.

3. Waste Treatment by Cement Kilns

During the Reporting Period, 16 projects waste treatment by cement kilns were completed, with a treatment capacity of 1,350,000 tonnes per year. As at the end of the Reporting Period, the annual capacity of waste treatment by cement kilns reached 1,280,000 tonnes and the actual treatment volume was 737,800 tonnes.

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

No.	Status of Construction	Project Location	Business Model	Capacity	Remarks
1	Completed	Pingliang City, Gansu Province	BOT	100,000 tonnes per year	
2		Qingzhen City, Guizhou Province		100,000 tonnes per year	
3		Yangchun City, Guangdong Province		70,000 tonnes per year	
4		Yuping County, Guizhou Province		30,000 tonnes per year	A joint venture with China National Building Material Company Limited
5		Xishui County, Guizhou Province		100,000 tonnes per year	
6		Qiyang County, Hunan Province		100,000 tonnes per year	
7		Shimen County, Hunan Province		70,000 tonnes per year	
8		Shuicheng County, Guizhou Province		70,000 tonnes per year	
9		Fusui County, Guangxi Region		70,000 tonnes per year	
10		Shuangfeng County, Hunan Province		70,000 tonnes per year	
11		Baoshan City, Yunnan Province		100,000 tonnes per year	
12		Nanjiang County, Sichuan Province		70,000 tonnes per year	
13		Lingyun County, Guangxi Lingyun Region		30,000 tonnes per year	
14		Ningguo City, Anhui Province		100,000 tonnes per year	
15		Linxia Prefecture, Gansu Province		100,000 tonnes per year	
16		Xing'an County, Guangxi Region		100,000 tonnes per year	
Subtotal				1,280,000 tonnes per year	
17	Under construction	Yingjiang County, Yunnan Province	BOT	70,000 tonnes per year	Expected to be put into operation in March 2019
Subtotal				70,000 tonnes per year	
Total				1,350,000 tonnes per year	

Achieving Sound Development in New Building Materials Business

During the Reporting Period, the operating efficiency of new building materials business continued to improve and the Group's confidence in its development was further strengthened. The Group actively explored new markets, deepened the integration of internal resources, improved coordinated production and sales and provided a complementary offering. Both sales volume and selling price have been significantly improved compared with last year. At the same time, the Group actively explored overseas markets and leveraged on e-commerce, exhibition and other platforms through a variety of channels with a view to increase the sales of foreign trade products.

As at the end of the Reporting Period, product sales of new building materials business segment amounted to 8,040,000 sq.m., representing a year-on-year growth of 13%. In particular, Anhui Conch Venture New Building Material Company maintained monthly sales of above 400,000 sq.m., and its annual selling prices increased by RMB1.91/sq.m. year-on-year.

Port throughput reaching a new high

With the increasingly stringent environmental protection regulations for the operation of bulk cargo terminals along the Yangtze River, the Group has stepped up technological renovation of environmental governance to reduce the impact of production capacity constraints, continuously optimized handling technology, improved operational efficiency, seized the strategic opportunity period of "terminal renovation" in the Yangtze River Economic Zone, adjusted the supply structure, secured a number of new end customers, and achieved a new record high throughput.

As at the end of the Reporting Period, port throughput reached 33,400,000 tonnes and the revenue amounted to RMB198 million, representing an increase of 27.61%.

PROFITS

Item	2018 Amount (RMB'000)	2017 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	2,889,592	2,064,951	39.94
Profit before taxation	6,251,536	3,631,109	72.17
Share of profit of an associate	5,275,171	2,955,569	78.48
Profit before taxation from principal businesses	976,365	675,540	44.53
Net profit attributable to equity shareholders of the Company	5,947,269	3,403,002	74.77
Net profit from principal businesses attributable to equity shareholders of the Company	672,098	447,433	50.21

During the Reporting Period, the Group recorded a total revenue of RMB2,889.59 million, representing a year-on-year increase of 39.94%. Profit before taxation amounted to RMB6,251.54 million, representing a year-on-year increase of 72.17%. Share of profit of an associate amounted to RMB5,275.17 million, representing a year-on-year increase of 78.48%, which was mainly due to the increase in profits from Conch Holdings, an associate. Profit before taxation from principal businesses amounted to RMB976.37 million, representing a year-on-year increase of 44.53%, which was mainly due to enhanced efficiency of the environmental protection segment of the Group. Net profit attributable to equity shareholders of the Company amounted to RMB5,947.27 million, representing a significant year-on-year increase of 74.77%, among which, net profit from principal businesses attributable to equity shareholders of the Company amounted to RMB672.10 million, representing a significant year-on-year increase of 50.21%. Excluding the impacts of net interest expenses of the convertible bonds and the withholding tax on the dividends distributed by the PRC subsidiaries, the net profit attributable to equity shareholders of the Company was RMB729.04 million, representing a significant year-on-year increase of 62.94%. Basic earnings per share amounted to RMB3.30, diluted earnings per share amounted to RMB3.26.

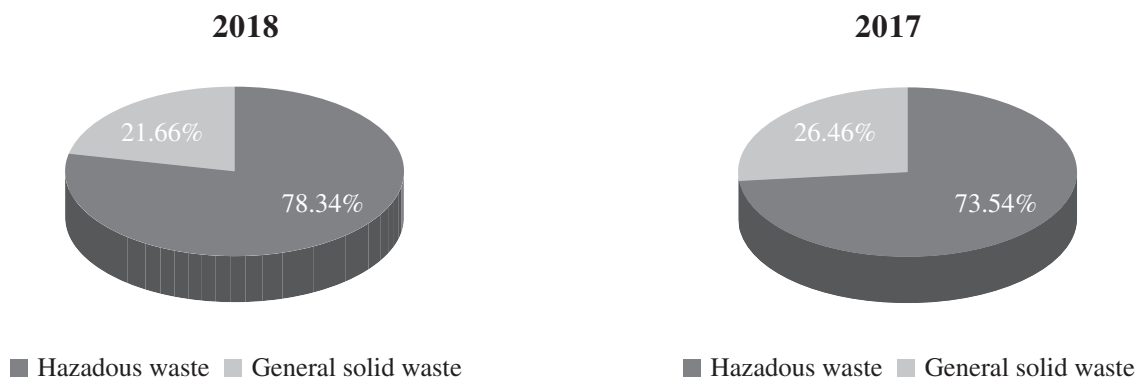
Revenue by business segments

Item	2018		2017		Change in (percentage points)	
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	Change in amount (%)	
Solid waste solutions	394,958	13.67	113,636	5.50	247.56	8.17
Waste incineration solutions	1,723,623	59.65	1,173,299	56.82	46.90	2.83
Energy saving equipment	461,260	15.96	536,721	25.99	-14.06	-10.03
New building materials	112,099	3.88	86,410	4.19	29.73	-0.31
Port logistics	197,652	6.84	154,885	7.50	27.61	-0.66
Total	2,889,592	100.00	2,064,951	100.00	39.94	-

During the Reporting Period, the revenue from solid waste solutions, waste incineration solutions, new building materials and port logistics maintained a rapid growth year-on-year, and the revenue from energy saving equipment recorded a decrease year-on-year. With a breakdown by segments:

- (i) The revenue from solid waste solutions amounted to RMB394.96 million, representing a year-on-year increase of 247.56%, which was mainly due to the commencement of operation of new projects in Wuhu, Yiyang, Suzhou, leading to the rapid increase in revenue.
- (ii) The revenue from waste incineration solutions amounted to RMB1,723.62 million, representing a year-on-year increase of 46.90%, which was mainly due to the Group's active promotion of its grate furnace power generation business, the increase in the number of projects under construction and put into operation, leading to the increase in revenue.
- (iii) The revenue from energy saving equipment amounted to RMB461.26 million, representing a year-on-year decrease of 14.06%, which was mainly due to decrease in market demand, resulting in the reduction of number of energy saving equipment orders and delay in construction progress of certain projects and thus a decrease in revenue.
- (iv) The revenue from new building materials recorded a year-on-year increase of 29.73%, which was mainly due to the fact that the Group enhanced expansion of domestic and overseas markets, leading to increases in both volume and prices and thus a rapid growth in revenue.
- (v) The revenue from port logistics recorded a year-on-year increase of 27.61%, which was mainly due to the fact that the Group actively developed logistics market, resulting in a year-on-year increase in throughput and handling prices.

1. Breakdown of revenue from solid waste solutions



During the Reporting Period, the revenue from hazardous waste solutions amounted to RMB309.41 million, representing a year-on-year increase of 270.24%. The revenue from general solid waste amounted to RMB85.55 million, representing a year-on-year increase of 184.50%.

2. Breakdown of revenue from waste incineration solutions

Revenue breakdown	2018		2017		Change in amount (%)	Change in percentage (percentage point)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Construction revenue	1,486,735	86.26	1,036,475	88.34	43.44	-2.08
Waste treatment by cement kilns	82,492	4.79	213,494	18.20	-61.36	-13.41
Grate furnace power generation	1,404,243	81.47	822,981	70.14	70.63	11.33
Operation revenue	143,220	8.31	65,100	5.55	120.00	2.76
Waste treatment by cement kilns	40,235	2.33	35,499	3.03	13.34	-0.70
Grate furnace power generation	102,985	5.98	29,601	2.52	247.91	3.46
Interest revenue	93,668	5.43	71,724	6.11	30.60	-0.68
Waste treatment by cement kilns	61,236	3.55	61,668	5.26	-0.70	-1.71
Grate furnace power generation	32,432	1.88	10,056	0.85	222.51	1.03
Total	1,723,623	100.00	1,173,299	100.00	46.90	-

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB1,486.74 million, representing a year-on-year increase of 43.44%, which was mainly due to the increase in the number of the Group's grate furnace power generation project and acceleration of construction progress, leading to an increase in construction revenue. The operation revenue from waste incineration solutions segment amounted to RMB143.22 million, representing a year-on-year increase of 120.00%, which was mainly due to the commencement of operation of new projects in Huoqiu, Li County and Xing'an.

Revenue by geographical locations

Item	2018		2017		Change in percentage	
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	Change in amount (%)	(percentage point)
Mainland China	2,585,651	89.48	1,744,072	84.46	48.25	5.02
Asia (excluding Mainland China)	298,913	10.34	319,785	15.49	-6.53	-5.15
North America	4,941	0.17	-	-	-	0.17
South America	-	-	227	0.01	-	-0.01
Africa	-	-	867	0.04	-	-0.04
Oceania	87	0.01	-	-	-	0.01
Total	<u>2,889,592</u>	<u>100.00</u>	<u>2,064,951</u>	<u>100.00</u>	<u>39.94</u>	<u>-</u>

During the Reporting Period, the Group's revenue derived from Mainland China market amounted to RMB2,585.65 million, representing a year-on-year increase of 48.25%, with its proportion in total revenue increased by 5.02 percentage points year-on-year, which was mainly due to the Group's rapid development of domestic environmental protection business. The revenue derived from the Asia (excluding Mainland China) market amounted to RMB298.91 million, representing a year-on-year decrease of 6.53%, with its proportion in total revenue decreased by 5.15 percentage points year-on-year, which was mainly due to the decrease in number of overseas energy saving equipment orders and the delay in construction progress of certain projects which affected the revenue recognition.

Gross profit and gross profit margin

Item	2018		2017		Change in gross profit margin (percentage points)	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Change in amount (%)	
Solid waste solutions	306,340	77.56	85,289	75.05	259.18	2.51
Waste incineration solutions	556,542	32.29	401,072	34.18	38.76	-1.89
Energy saving equipment	132,260	28.67	151,061	28.15	-12.45	0.52
New building materials	18,233	16.27	10,997	12.73	65.80	3.54
Port logistics	112,893	57.12	74,905	48.36	50.71	8.76
Total	<u>1,126,268</u>	<u>38.98</u>	<u>723,324</u>	<u>35.03</u>	<u>55.71</u>	<u>3.95</u>

During the Reporting Period, the consolidated gross profit margin of the Group's products was 38.98%, representing a year-on-year increase of 3.95 percentage points. With a breakdown by segments:

- (i) The gross profit margin for solid waste solutions was 77.56%, representing a year-on-year increase of 2.51 percentage points, which was mainly due to the fact that the Group optimized its sales structure and raised the treatment prices.
- (ii) The gross profit margin for waste incineration solutions was 32.29%, representing a year-on-year decrease of 1.89 percentage points, which was mainly due to the decreases in both proportion in total revenue and gross profit of construction revenue from waste treatment by cement kilns.
- (iii) The gross profit margin for new building materials was 16.27%, representing a year-on-year increase of 3.54 percentage points, which was mainly due to the fact that the Group actively expanded the sheet materials market, leading to an increase of sales volume and unit selling prices.
- (iv) The gross profit margin for port logistics was 57.12%, representing a year-on-year increase of 8.76 percentage points, which was mainly due to the fact that the Group actively expanded its market, enhanced its port throughput with a year-on-year increase of 21% and lowered its fixed cost.

Revenue and share of profit

Item	2018		2017		Change in amount (%)	Change in percentage point)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Revenue	2,889,592	100.00	2,064,951	100.00	39.94	–
Other customer	2,443,107	84.55	1,640,414	79.44	48.93	5.11
Conch Cement	446,485	15.45	424,537	20.56	5.17	–5.11
Profit for the year	6,062,145	100.00	3,505,040	100.00	72.96	–
Share of profit of an associate	5,275,171	87.02	2,955,569	84.32	78.48	2.69
Profit attributable to operations	786,974	12.98	549,471	15.68	43.22	–2.69

During the Reporting Period, the Group's revenue from Conch Cement amounted to RMB446.49 million, accounted for 15.45% of total revenue, representing a year-on-year decrease of 5.11 percentage points. Share of profit of an associate amounted to RMB5,275.17 million, accounted for 87.02% of total revenue, representing a year-on-year increase of 2.69 percentage points, which was mainly due to the growth in profit in Conch Holdings, an associate.

Other income

During the Reporting Period, the Group's other income amounted to RMB162.85 million, representing a year-on-year decrease of RMB31.07 million, or 16.02%, which was mainly due to the year-on-year decrease in government grants received by the Group.

Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB57.24 million, representing a year-on-year increase of RMB11.01 million, or 23.83%, which was mainly due to the active market development of the Group's newly operating companies resulting in increase in distribution costs.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB180.48 million, representing a year-on-year increase of RMB9.07 million, or 5.29%, which was mainly due to the increase in the number of employees of operating companies resulting in an increase in employees' remuneration.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB75.04 million, representing a year-on-year increase of RMB50.97 million, or 211.71%, which was mainly due to the interest of liability component of the convertible bonds and new bank loans raised by the Group.

Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB6,251.54 million, representing a year-on-year increase of RMB2,620.43 million, or 72.17%, which was mainly due to the increase in net profits from Conch Holdings, an associate of the Group. Share of profit of an associate amounted to RMB5,275.17 million, representing a year-on-year increase of 78.48%, and profit before taxation from principal businesses amounted to RMB976.37 million, representing a year-on-year increase of 44.53%.

FINANCIAL POSITION

As at 31 December 2018, the Group's total assets amounted to RMB33,216.30 million, representing an increase of RMB10,040.09 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB25,752.82 million, representing an increase of RMB5,175.07 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 20.32%, representing an increase of 11.84 percentage point as compared to the end of the previous year, the main reason is due to the issuance of convertible bonds by the Group. The balance sheet items of the Group are as follows:

Item	As at 31 December 2018 (RMB'000)	As at 31 December 2017 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	1,725,038	1,281,802	34.58
Non-current assets	27,145,806	20,551,861	32.08
Current assets	6,070,496	2,624,356	131.31
Current liabilities	2,171,309	1,920,402	13.07
Non-current liabilities	4,579,132	44,500	10,190.18
Net current assets	3,899,187	703,954	453.90
Equity attributable to equity shareholders of the Company	25,752,817	20,577,751	25.15
Total assets	33,216,302	23,176,217	43.32
Total liabilities	6,750,441	1,964,902	243.55

Non-current assets and current assets

As at 31 December 2018, non-current assets of the Group amounted to RMB27,145.81 million, representing an increase of 32.08% as compared to the end of the previous year, which was mainly due to the increase in interests in an associate, non-current portion of service concession assets, intangible assets, property, plant and equipment.

Current assets of the Group amounted to RMB6,070.50 million, representing an increase of 131.31% as compared to the end of the previous year, which was mainly due to the convertible bonds issued by the Group to raise funds during the Reporting Period.

Non-current liabilities and current liabilities

As at 31 December 2018, non-current liabilities of the Group amounted to RMB4,579.13 million, representing an increase of 10,190.18% as compared to the end of the previous year, which was mainly due to the issuance of five-year convertible bonds and increase in the balance of long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB2,171.31 million, representing an increase of 13.07%, which was mainly due to the year-on-year increase in trade and bills payables as the Group increased project investment.

As at 31 December 2018, current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 2.80 and 0.05 respectively, as compared to 1.37 and 0.02 respectively, as at the end of the previous year.

Net current assets

As at 31 December 2018, net current assets of the Group amounted to RMB3,899.19 million, representing an increase of RMB3,195.23 million as compared to the end of the previous year, which was mainly due to the issuance of the convertible bonds and the addition of bank loans, which led to an increase in the balance of cash and cash equivalents.

Equity attributable to equity shareholders of the Company

As at 31 December 2018, the Group's equity attributable to equity shareholders of the Company amounted to RMB25,752.82 million, representing an increase of 25.15% as compared to the end of the previous year, which was mainly due to the increases in the Group's interests in associates and net profit from principal businesses attributable to the equity shareholders.

LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, the Group took full advantage of the capital size, enhanced returns of the stock funds through enhancing capital planning and management and reasonable allocation of project funds, so as to fully satisfy the Company's capital needs. As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB2,673.85 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

Bank loans

Item	As at 31 December 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Due within one year	71,800	482,300
Due after one year but within two years	102,800	6,300
Due after two year but within five years	1,002,900	16,400
Due after five years	90,000	21,800
Total	<u>1,267,500</u>	<u>526,800</u>

As at 31 December 2018, the balance of bank loans of the Group amounted to RMB1,267.50 million, representing an increase of RMB740.70 million as compared to the end of the previous year, which was mainly due to new bank loans raised by the Group during the Reporting Period. As at 31 December 2018, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

Cash flows

Item	2018 (RMB'000)	2017 (RMB'000)
Net cash generated from operating activities	397,130	67,401
Net cash used in investing activities	-2,469,956	-144,325
Net cash generated from/(used in) financing activities	3,266,374	-630,971
Net increase/(decrease) in cash and cash equivalents	1,193,548	-707,895
Effect of foreign exchange rate changes	22,552	-
Cash and cash equivalents at the beginning of the period	1,457,745	2,165,640
Cash and cash equivalents at the end of the period	<u>2,673,845</u>	<u>1,457,745</u>

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB397.13 million, representing a year-on-year increase of RMB329.73 million, which was mainly due to increase in inflows of operational cash from solid waste solutions, port logistics and energy-saving equipment businesses.

Net cash used in investment activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB2,469.96 million, representing a year-on-year increase of RMB2,325.63 million, which was mainly due to increase in the Group's investments in property, plant and equipment, construction in progress and intangible assets as well as the payment for bank deposits with maturity over three months.

Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB3,266.37 million, representing a year-on-year increase of RMB3,897.35 million, which was mainly due to the convertible bonds issued and new banks loans raised by the Group.

Issuance of convertible bonds

On 5 September 2018, the company captured favorable market opportunities and the Company, as guarantor, and the Issuer, China Conch Venture Holdings International Limited* (a wholly-owned subsidiary of the Company) (“**CV International**”) entered into the Subscription Agreement with Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities plc to issue HK\$3,925,000,000 zero coupon guaranteed convertible bonds (the “**Bonds**”) (at an initial conversion price of HK\$40.18 per share, subject to adjustments under certain terms and conditions of the Bonds), due in 2023, which will mainly be used for the expansion of environmental projects in the industrial solid hazardous waste by cement kilns and grate furnace power generation, thus laying a solid foundation for the Company to achieve dual engines of industry and capital. For further details, please refer to the Company’s announcement dated 30 August 2018.

COMMITMENTS

As at 31 December 2018, the Group’s commitments for purchases in connection with construction contracts were as follows:

Item	As at 31 December 2018 (RMB’000)	As at 31 December 2017 (RMB’000)
Contracted for	1,327,312	2,411,975
Authorized but not contracted for	2,196,735	253,389
Total	3,524,047	2,665,364

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 expenditure 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.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2018, the Group did not have any pledged assets.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

The Group did not have any material investments, acquisitions or disposals during the Reporting Period.

HUMAN RESOURCES

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group established a multi-level and systematic training system and organized abundant training programs in accordance with vertical division of company-level, expertise-level and subsidiary-level. During the Reporting Period, the Group organized safety knowledge training, professional and technical seminars and trainings relating to collaborative treatment of industrial solid and hazardous waste by cement kilns and municipal waste treatment technology, basic knowledge of grate furnace technology, policy analysing, lectures on internal control and risk management and personnel administration training, with a view to assist the management and staff in learning, understanding and mastering various production and operation management techniques and knowledge. The Group also continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2018, the Group had approximately 2,666 employees. The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2018, the total remuneration of employees (including the remuneration of the directors) was approximately RMB199.38 million (2017: RMB154.06 million).

FUTURE PLANS AND OUTLOOK

Looking back at the previous year, under the background of frequent international trade frictions and increasing pressure of domestic economic downturn, the Group actively explored new business development ideas and achieved good results by sorting new business breakthroughs and overseas business development. During the year, net profit of the principal businesses of the Group reached a compound annual growth rate of 50%, demonstrating the comprehensive power of the Group. In the future, with the continuous growth of new environmental protection projects, expansion of capacity scale and enhancement of operation quality, the Group will maintain high-speed development, and its prospects are worth looking forward to.

Going forward, our country will continue to adhere to the basic principle of making progress while maintaining stability. The focus on green development and ecological civilization construction is in line with the new concept of development. As the environmental protection industry is still attracting focus and gaining support in our country, the Group is facing an important strategic opportunity period. As such, the Group has formulated the development plan for 2019–2023, and will strive to achieve the development goal of “1133” by 2023, which means the signing annual disposal capacity of solid waste treatment reaching 10 million tonnes, the signing annual disposal capacity of grate furnace power generation reaching 18 million tonnes, the volume of production and sales of new building materials “ACA” (Anhui Conch Cellulose Fiber Cement Boards, Autoclaved) boards reaching 31 million sq.m., and port throughput reaching 36 million tonnes.

The Group’s development direction, development goals and implementation path in the next five years have been very clear. 2019 is the beginning year of the implementation of the Group’s next five-year plan. The Group is actively propelling the optimization of business structure, the planning of new projects, the research and development of new technologies and the innovation of internal reforms. The Group is gradually glowing with new vitality. The Group will always maintain its strategic strength, strengthen its confidence in development, further reinforce its mission, responsibilities and commitments with a focus on the determined goals, unswervingly accelerate its development, firmly make advancement step by step, and create a new development situation in an all-round way.

The Group will continue to focus on the principal business of environmental protection, integrate the superior resources in the industry, increase technological innovation and investment, improve the scientific research capacity of the Company, carry forward the internationalization process of environmental protection projects, and realize the “dual engines” of environmental protection business. At the same time, we will continue to promote the development of the new building materials business and make profit contribution from it, and maintain stable development of port logistics business.

Focusing on Environmental Protection Business

The Group will strive for the development of the environmental protection business based on the previous experience and the actual development in the industry.

First of all, the Group will go all out to complete its annual development target and maintain high quality development of the environmental protection business. Firstly, the Group will formulate long-term plans, increase research on the newly introduced industry development policies of our country, further explore new business cooperation models, innovate project development incentive mechanism, actively secure external resources available, which will accelerate the arrangement of the environmental protection business of the Group. The Group will explore diversified development of solid waste treatment in China and abroad, and speed up grate furnace power generation with an aim to exceed the annual target of contracted projects. Secondly, the Group will cooperate with tertiary education institutions and relevant social institutions in China and leveraging on the advantages of their technical resources, introduce industry experts and technical consultants to form a pool of experts for establishing research institute of environmental protection to cultivate new competitive advantages and enhance the overall competitiveness of the Company.

Next, the Group will carry forward the standardization of management of environmental protection business to further improve the operation quality. In particular, the solid waste treatment segment shall adhere to the principle of “market-oriented and efficiency-oriented”, with an aim to accelerate market arrangement and development efforts, and improve operation quality to ensure the realization of the annual profit target. The focus of grate furnace power generation segment shall be increasing waste volume and power generation volume and pushing forward the benchmarking management system in depth.

At last, the Group will establish a sound construction management standardization system, to speed up the progress of the warrants and project construction to ensure that the production will be put into operation on schedule and create the main architectural style of its environmental protection projects.

New Building Materials Business Entering into a New Stage of Development

The Group will continue to focus on market development and put the boost of panel sales and market share in the first place. Taking the market demand as the starting point, we will optimize economic indicators by increasing domestic trade and foreign trade to enhance our market power. Meanwhile, we will continue to intensify the benchmark management, give full play to the production capacity and post-production efficiency, and comprehensively improve the production control and market supply capability. In addition, the product category will be further expanded to enhance the overall competitiveness of the new building materials business.

Port Logistic Business Showing Ongoing and Stable Development

The Group will actively participate in the general environment of strategic development in Yangtze River Economic Zone and focus on promoting environmental protection technology transformation projects to optimize its production site and build an image of ecological port. The Group will continue to tap the potential of freight transport, stabilize core customer groups, strengthen expansion of potential markets in the upper and middle reaches of the Yangtze River, and strive to achieve another breakthrough in throughput.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

On 12 February 2019, a joint venture company (“**Joint Venture Company**”) was incorporated in Hong Kong, which is jointly set up by CV International and China Building Material Holdings Company Limited (a wholly-owned subsidiary of China National Building Material Company Limited (“**CNBM**”), a joint stock limited company incorporated in the PRC, whose H shares are listed on the Stock Exchange (stock code: 3323)). In this connection, on 18 March 2019, the Company entered into a joint venture agreement with CNBM in relation to the management and governance of the affairs of the Joint Venture Company and the scope of cooperation between the Company and CNBM. For further details, please refer to the announcement of the Company dated 18 March 2019.

FINAL DIVIDENDS

At the Board meeting held on 21 March 2019, the directors proposed to declare a final cash dividend of HK\$0.55 per share for the year ended 31 December 2018. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting (“AGM”). Final dividend is expected to be paid on 18 July 2019.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 26 June 2019. The notice of the AGM, which will be incorporated into the circular to the shareholders, will be sent together with the Company’s annual report for the year ended 31 December 2018 (“**2018 Annual Report**”).

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification of shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 20 June 2019 (Thursday) to 26 June 2019 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify as shareholders to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19 June 2019 (Wednesday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 8 July 2019 (Monday) to 11 July 2019 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 July 2019 (Friday).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board confirmed that during the Reporting Period, the Company has complied with the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules to formulate its operation and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.conchventure.com). The 2018 Annual Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

On behalf of the Board of Directors
China Conch Venture Holdings Limited
中國海螺創業控股有限公司
GUO Jingbin
Chairman

China, 21 March 2019

As at the date of this announcement, the Board comprises Mr. GUO Jingbin (Chairman), Mr. JI Qinying (Chief Executive Officer), Mr. LI Jian and Mr. LI Daming as executive Directors; Mr. CHANG Zhangli as non-executive Director; and Mr. CHAN Chi On (alias Derek CHAN), Mr. CHAN Kai Wing and Mr. LAU Chi Wah, Alex as independent non-executive Directors.

* English translation or transliteration of Chinese name for identification purpose only