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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 2019

HIGHLIGHTS

- Revenue of the Group for 2019 amounted to approximately RMB5,120.28 million (2018: RMB2,889.59 million), representing an increase of 77.20% as compared to 2018.
- Net profit attributable to equity shareholders of the Group for 2019 amounted to approximately RMB6,995.83 million (2018: RMB5,947.27 million), representing an increase of 17.63% as compared to 2018.
- Net profit (excluding share of profit of an associate) of our principal activities attributable to equity shareholders of the Group for 2019 amounted to approximately RMB987.68 million (2018: RMB672.10 million), representing an increase of 46.95% as compared to 2018.
- Basic earnings per share for 2019 amounted to RMB3.88 (2018: RMB3.30).
- The Board proposed the distribution of a final cash dividend of HK\$0.65 per share for 2019 (2018: HK\$0.55).

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 2019 (the “**Reporting Period**”) of the Company and its subsidiaries (the “**Group**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Revenue	3	5,120,281	2,889,592
Cost of sales		<u>(3,368,650)</u>	<u>(1,763,324)</u>
Gross profit		1,751,631	1,126,268
Other income	4	199,186	162,854
Distribution costs		(89,619)	(57,240)
Administrative expenses		<u>(277,890)</u>	<u>(180,476)</u>
Profit from operations		1,583,308	1,051,406
Finance costs	5(a)	(177,684)	(75,041)
Share of profits of associates		<u>6,008,155</u>	<u>5,275,171</u>
Profit before taxation	5	7,413,779	6,251,536
Income tax	6(a)	(267,256)	(189,391)
Profit for the year		<u>7,146,523</u>	<u>6,062,145</u>
Attributable to:			
Equity shareholders of the Company		6,995,831	5,947,269
Non-controlling interests		<u>150,692</u>	<u>114,876</u>
Profit for the year		<u>7,146,523</u>	<u>6,062,145</u>
Earnings per share			
Basic (RMB)	7(a)	<u>3.88</u>	<u>3.30</u>
Diluted (RMB)	7(b)	<u>3.73</u>	<u>3.26</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Note)</i>
Profit for the year	7,146,523	6,062,145
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 associates, net of tax	(583)	(27,119)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates, net of tax	4,729	(26,123)
Exchange differences on translation of financial statements of overseas subsidiaries	(26,144)	(1,851)
	(21,998)	(55,093)
Total comprehensive income for the year	7,124,525	6,007,052
Attributable to:		
Equity shareholders of the Company	6,973,833	5,892,176
Non-controlling interests	150,692	114,876
Total comprehensive income for the year	7,124,525	6,007,052

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in Renminbi Yuan)

	<i>Note</i>	2019 RMB'000	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		2,443,912	1,725,038
Right-of-use assets		403,559	–
Lease prepayments		–	271,354
Intangible assets		3,917,798	1,604,173
Interests in associates	<i>9</i>	25,920,942	20,782,760
Non-current portion of service concession assets	<i>10</i>	3,353,103	2,374,146
Non-current portion of trade and other receivables	<i>11</i>	613,562	334,334
Deferred tax assets		54,080	54,001
		36,706,956	27,145,806
Current assets			
Inventories		233,883	162,721
Service concession assets	<i>10</i>	102,126	15,940
Trade and other receivables	<i>11</i>	1,295,171	1,101,069
Restricted bank deposits		28,253	12,613
Bank deposits with original maturity over three months		842,972	2,104,308
Cash and cash equivalents		2,962,200	2,673,845
		5,464,605	6,070,496
Current liabilities			
Bank loans		664,700	71,800
Trade and other payables	<i>12</i>	3,071,108	1,974,026
Contract liabilities		27,515	14,177
Lease liabilities		2,968	–
Income tax payables		112,022	111,306
		3,878,313	2,171,309
Net current assets		1,586,292	3,899,187
Total assets less current liabilities		38,293,248	31,044,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2019

(Expressed in Renminbi Yuan)

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i> <i>(Note)</i>
Non-current liabilities			
Bank loans		1,918,537	1,195,700
Convertible bonds	13	3,574,266	3,383,432
Lease liabilities		3,049	–
Deferred tax liabilities		35,000	–
		<u>5,530,852</u>	<u>4,579,132</u>
Net assets		<u>32,762,396</u>	<u>26,465,861</u>
Capital and reserves			
Share capital		14,347	14,347
Reserves		31,838,605	25,738,470
Equity attributable to equity shareholders of the Company		31,852,952	25,752,817
Non-controlling interests		909,444	713,044
Total equity		<u>32,762,396</u>	<u>26,465,861</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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 2019 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interests in associates.

The measurement basis used in the preparation of the 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

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

The Group’s leasing activities as a lessee primarily relate to leasing of land and offices for use.

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in the 2018 annual financial statements to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	14,474
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	<u>(4,748)</u>
	9,726
Less: total future interest expenses	<u>(875)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	<u>8,851</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities. The lease prepayments which represent cost of land use rights in respect of land located in the PRC with lease period of 40–50 years and previously separately disclosed in the 2018 statement of financial position are included in the “Right-of-use assets”, and separately presented in the consolidated statement of financial position upon adoption of IFRS 16.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16 as the Group does not have finance leases.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>RMB'000</i>	Adjustment <i>RMB'000</i>	Carrying amount at 1 January 2019 <i>RMB'000</i>
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	280,205	280,205
Lease prepayments	271,354	(271,354)	–
Non-current assets	27,145,806	8,851	27,154,657
Lease liabilities (current)	–	3,107	3,107
Current liabilities	2,171,309	3,107	2,174,416
Net current assets	3,899,187	(3,107)	3,896,080
Total assets less current liabilities	31,044,993	5,744	31,050,737
Lease liabilities (non-current)	–	5,744	5,744
Non-current liabilities	4,579,132	5,744	4,584,876
Net assets	26,465,861	–	26,465,861

(c) *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This does not result in a significant impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Energy preservation and environmental protection solutions		
Solid waste solutions	738,141	394,958
Waste incineration solutions (i)	3,698,481	1,723,623
Energy saving equipment	361,714	461,260
	<hr/>	<hr/>
Subtotal	4,798,336	2,579,841
Port logistics services	217,744	197,652
Sale of new building materials	104,201	112,099
	<hr/>	<hr/>
Total	5,120,281	2,889,592
	<hr/> <hr/>	<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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from waste incineration project construction services	3,321,940	1,486,735
Revenue from waste incineration project operation services	259,051	143,220
Finance income	117,490	93,668
	<hr/>	<hr/>
Total	3,698,481	1,723,623
	<hr/> <hr/>	<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 2019 amounting to RMB3,471,565,000 (2018: RMB1,573,974,000).

(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 solid waste solutions, waste incineration solutions, manufacturing and sales of residual heat power generation, vertical mill, 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.
 - (4) Investments: this segment comprises investments in Anhui Conch Holdings Co., Ltd. ("**Conch Holdings**") and other associates.
- (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 2019 and 2018 is set out below:

	Year ended 31 December 2019					
	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	1,447,422	217,744	104,201	-	-	1,769,367
Over time	3,350,914	-	-	-	-	3,350,914
Reportable segment revenue	<u>4,798,336</u>	<u>217,744</u>	<u>104,201</u>	<u>-</u>	<u>-</u>	<u>5,120,281</u>
Reportable segment profit/(loss) before taxation	<u>1,391,218</u>	<u>115,005</u>	<u>(43,647)</u>	<u>6,008,155</u>	<u>(56,952)</u>	<u>7,413,779</u>
Interest income	44,852	127	482	-	62,372	107,833
Interest expenses	67,900	-	-	-	109,784	177,684
Depreciation and amortisation	105,001	44,279	15,965	-	-	165,245
Reversal of loss allowance — trade and other receivables	(5,744)	-	-	-	-	(5,744)
Reportable segment assets	12,470,564	472,101	454,657	25,920,942	2,853,297	42,171,561
Reportable segment liabilities	5,631,160	107,624	30,556	-	3,639,825	9,409,165

Year ended 31 December 2018 (Note)

	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	<u>2,579,841</u>	<u>197,652</u>	<u>112,099</u>	<u>–</u>	<u>–</u>	<u>2,889,592</u>
Reportable segment profit/(loss) before taxation	<u>915,306</u>	<u>94,489</u>	<u>(12,626)</u>	<u>5,275,171</u>	<u>(20,804)</u>	<u>6,251,536</u>
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

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

(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.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue		
Mainland China	4,985,598	2,585,651
Asia-Pacific (except Mainland China)	134,502	299,000
North America	18	4,941
Africa	163	–
	<u>5,120,281</u>	<u>2,889,592</u>

The Group's property, plant and equipment, right-of-use assets, intangible assets, interests in associates 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 right-of-use assets, 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 interests in associates.

4 OTHER INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest income on bank deposits and cash at bank	107,833	71,535
Government grants (i)	104,669	92,491
Net loss on disposal of right-of-use assets and property, plant and equipment	(26,259)	(61)
Exchange gain/(loss)	7,919	(1,111)
Others	5,024	–
	<u>199,186</u>	<u>162,854</u>

- (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):

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(Note)</i>
(a) Finance costs:		
Interest on bank loans	90,008	44,538
Interest on lease liabilities	420	–
Interest on convertible bonds	113,224	37,126
Less: interest expense capitalised into construction in progress and intangible assets*	(25,968)	(6,623)
	177,684	75,041

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

* The borrowing costs were capitalised at a rate of 3.30%–4.46% per annum for the year ended 31 December 2019. (2018: 3.30%–4.45%)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
(b) Staff costs:		
Salaries, wages and other benefits	273,086	175,699
Contributions to defined contribution plans (i)	33,498	23,681
	306,584	199,380

(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:**

	2019 RMB'000	2018 <i>RMB'000</i> <i>(Note)</i>
Cost of inventories [#]	633,305	596,243
Cost of construction services [#]	2,735,345	1,167,081
Depreciation of owned property, plant and equipment [#]	121,724	89,618
Depreciation of right-of-use assets [#]	9,702	–
Amortisation of lease prepayments [#]	–	5,434
Amortisation of intangible assets [#]	33,819	15,630
Research and development costs	20,932	23,172
Reversal of loss allowance for trade receivables	(5,744)	(27,798)
Total minimum lease payments for leases previously classified as operating leases under IAS 17	–	7,092
Short-term lease payments not included in the measurement of lease liabilities	4,331	–
Auditors' remuneration	2,226	2,226

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

[#] Cost of inventories and cost of construction services include RMB274,572,000 (2018: RMB174,471,000) relating to staff costs, depreciation, amortisation of right-of-use assets and 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:**

	2019 RMB'000	2018 <i>RMB'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	334	50
Current tax — PRC income tax		
Provision for the year	235,888	183,425
(Over)/under-provision in respect of prior years	(3,887)	1,282
	232,335	184,757
Deferred tax:		
Origination and reversal of temporary differences	34,921	4,634
	267,256	189,391

- (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 provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 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.
- (3) 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.

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received.

The Group has provided withholding tax of RMB35,000,000 in relation to the dividend declared by certain of its PRC subsidiaries to outside of Mainland China for year 2019 (2018: RMB42,000,000).

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.

- (4) 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%

Name of companies (i)	Preferential income tax rate
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%
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%
Kunming Conch Venture Environment Engineering Co., Ltd. 昆明環境工程有限責任公司 (iii)	15%
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. 千陽海創環保科技有限責任公司 (iii)	15%
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. 重慶海創環保科技有限責任公司 (iii)	15%
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. 銅川海創環保科技有限責任公司 (iii)	15%
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 (iii)	15%
Shache Conch Venture Environment Engineering Co., Ltd. 莎車海創環境工程有限責任公司 (iii)	15%
Bole Conch Venture Environment Engineering Co., Ltd. 博樂市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%

- (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” 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.
- (5) 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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>7,413,779</u>	<u>6,251,536</u>
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	1,880,176	1,583,820
PRC tax concessions	(141,994)	(118,918)
PRC dividend withholding tax	35,000	42,000
(Over)/under-provision in respect of prior years	(3,887)	1,282
Share of profit of associates	<u>(1,502,039)</u>	<u>(1,318,793)</u>
Income tax expense	<u>267,256</u>	<u>189,391</u>

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 RMB6,995,831,000 (2018: RMB5,947,269,000) and 1,804,750,000 (2018: 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 RMB7,105,767,000 (2018: RMB5,984,395,000) and the weighted average number of ordinary shares of 1,903,478,000 (2018: 1,837,312,000), calculated as below:

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

	2019 RMB'000	2018 RMB'000
Profit attributable to ordinary equity shareholders	6,995,831	5,947,269
After tax effect of effective interest on the liability component of convertible bonds	<u>109,936</u>	<u>37,126</u>
Profit attributable to ordinary equity shareholders (diluted)	<u><u>7,105,767</u></u>	<u><u>5,984,395</u></u>

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

	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	1,804,750	1,804,750
Effect of conversion of convertible bonds	<u>98,728</u>	<u>32,562</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,903,478</u></u>	<u><u>1,837,312</u></u>

8 DIVIDENDS

Pursuant to a resolution passed at the Directors' meeting on 23 March 2020, a final dividend of HKD0.65 (2018: HKD0.55) per ordinary share totalling HKD1,173,088,000, equivalent to approximately RMB1,073,997,000, (2018: HKD992,613,000, equivalent to approximately RMB847,989,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2019.

9 INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	<u><u>25,920,942</u></u>	<u><u>20,782,760</u></u>

The particulars of the material 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 as limited liability company	The PRC	RMB800,000,000	49%	Investment holding

The particulars of Conch Holdings' investment holdings as at 31 December 2019 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 ("Conch Cement") (安徽海螺水泥股份有限公司)	Incorporated as joint stock limited company	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 as joint stock limited company	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有限責任公司)	Incorporated as limited liability company	The PRC	RMB150,000,000	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 as limited liability company	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 as limited liability company	The PRC	RMB268,500,000	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 as limited liability company	The PRC	RMB50,000,000	100%	Computer system design and development
Anhui Conch Investment Co., Ltd. (安徽海螺投資有限責任公司)	Incorporated as limited liability company	The PRC	RMB700,000,000	100%	Investment holding
Anhui Jingong Testing and Inspection Center Co., Ltd (安徽精公檢測檢驗中心有限公司)	Incorporated as limited liability company	The PRC	RMB8,000,000	100%	Testing and Inspection
Wuhu Conch Trading Co., Ltd. 蕪湖海螺貿易有限公司	Incorporated as limited liability company	The PRC	RMB300,000,000	100%	Trading
Anhui International Trade Group Holding Co.,Ltd. 安徽國貿集團控股有限公司	Incorporated as limited liability company	The PRC	RMB661,111,111	55%	Investment holding and trading

10 SERVICE CONCESSION ASSETS

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Current	102,126	15,940
Non-current	<u>3,353,103</u>	<u>2,374,146</u>
	<u>3,455,229</u>	<u>2,390,086</u>

The service concession assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2018: 6.01% to 9.41%) per annum as at 31 December 2019 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 RMB3,455,229,000 (31 December 2018: RMB2,390,086,000), RMB1,149,238,000 (31 December 2018: RMB959,065,000) relates to BOT arrangements which are in construction phase and should be deemed as contract assets as defined under IFRS 15.

Among the total of RMB3,455,229,000 (31 December 2018: RMB2,390,086,000), RMB79,750,000 (31 December 2018: RMB28,781,000) relates to the government on-grid tariff subsidy for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.

11 TRADE AND OTHER RECEIVABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables	774,167	632,601
Bills receivable	57,618	60,147
Less: allowance for doubtful debts	<u>(44,540)</u>	<u>(50,284)</u>
Trade and bills receivables	787,245	642,464
Deposits and prepayments	112,272	85,937
Other receivables	318,290	187,992
Interest receivables	<u>13,945</u>	<u>21,730</u>
Amounts due from third parties	1,231,752	938,123
Amounts due from related parties	<u>63,419</u>	<u>162,946</u>
Current portion of trade and other receivables	<u>1,295,171</u>	<u>1,101,069</u>
Other receivables to be recovered after one year	<u>613,562</u>	<u>334,334</u>
Non-current portion of trade and other receivables	<u>613,562</u>	<u>334,334</u>
Total current and non-current trade and other receivables	<u>1,908,733</u>	<u>1,435,403</u>

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

As at 31 December 2019, the Group endorsed undue bills receivable of RMB354,963,000 (2018: RMB361,702,000) 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 2019, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB354,963,000 (2018: RMB361,702,000) 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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current	752,031	590,253
Less than 1 year	21,439	27,560
1 to 2 years	10,333	22,926
2 to 3 years	3,442	1,725
	<u>787,245</u>	<u>642,464</u>

(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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At the beginning of the year	50,284	80,673
Reversal of loss allowance (<i>note</i>)	(5,744)	(27,798)
Written off	<u>–</u>	<u>(2,591)</u>
At the end of the year	<u>44,540</u>	<u>50,284</u>

Note: Collection of past due receivables net of origination and new past due receivables resulted in a reversal of loss allowance during 2019 and 2018.

12 TRADE AND OTHER PAYABLES

	At 31 December 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Trade payables	1,831,109	1,131,307
Bills payable	<u>656,927</u>	<u>403,095</u>
	2,488,036	1,534,402
Other payables and accruals	<u>473,818</u>	<u>359,255</u>
Amounts due to third parties	2,961,854	1,893,657
Amounts due to related parties	<u>109,254</u>	<u>80,369</u>
Trade and other payables	<u>3,071,108</u>	<u>1,974,026</u>

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year	2,443,367	1,460,204
1 year to 2 years	31,644	64,391
2 years to 3 years	7,304	8,592
Over 3 years but within 5 years	<u>5,721</u>	<u>1,215</u>
	<u>2,488,036</u>	<u>1,534,402</u>

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, Conch Venture BVI, a subsidiary of the Company, issued zero coupon guaranteed convertible bond (“the Bonds”) with aggregate principal amount of HKD3,925,000,000 (equivalent to approximately RMB3,413,730,000) and received cash after deduction of transaction costs of HKD3,882,043,000 (equivalent to approximately RMB3,376,369,000).

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. In accordance with the Group’s accounting policy, the convertible bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

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
	<u>3,383,432</u>	<u>54,466</u>	<u>3,437,898</u>
At 31 December 2018			
Interest charge (<i>note 5(a)</i>)	113,224	–	113,224
Exchange adjustment	77,610	–	77,610
	<u>190,834</u>	<u>–</u>	<u>190,834</u>
At 31 December 2019	<u>3,574,266</u>	<u>54,466</u>	<u>3,628,732</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ENVIRONMENT

In 2019, amidst the complex political and economic situations at home and abroad, the Chinese economy turned out to be positive and was strengthened with steady progress, China's GDP grew by approximately 6.1% compared with that over the same period of last year, and the quality of development in China was steadily improved. In terms of environmental protection, as the State has been prioritising the pollution control targetedly, scientifically and by operation of law, maximising efforts to address environment concerns and promoting the high-quality economic development; and the environmental protection industry was also embraced by a new dawn for development.

During the Reporting Period, under the strong leadership of the Board of the Company, the Group implemented a wide spectrum of solid and hazardous waste treatment projects nationwide, vigorously expanded municipal waste projects, continuously strengthened internal management by closely following the national policy for the environmental protection industry, and the principal businesses exhibited a steady upward growth momentum.

BUSINESS REVIEW

Environmental Protection Business

The year of 2019 was the first year of the five-year plan (2019–2023) of the Group and thus was of significance to the future development of the Group. During the Reporting Period, all the leaders and staff of the Group worked industriously together and over-fulfilled the planned objectives for development tasks for the year than expected.

As at the date of this announcement, the Group had newly added 54 environment protection projects including 32 solid waste treatment projects with a production capacity of approximately 3.50 million tonnes/year and 22 waste treatment projects with a production capacity of approximately 5.16 million tonnes/year (14,700 tonnes/day).

As at the date of this announcement, the Group had promoted 118 environment protection projects in 21 provinces, cities and autonomous regions nationwide, including 54 solid waste projects, 45 grate furnace power generation projects, 17 waste treatment by cement kilns projects and 2 black and odorous water treatment projects, with a treatment capacity of 6.29 million tonnes of solid and hazardous waste/year and 11.60 million tonnes (33,500 tonnes/day) of municipal waste/year.

Solid Waste Treatment

(1) Project expansion

Since 2019, the Group has made remarkable achievements in the expansion of the solid waste treatment projects. As at the date of this announcement, the Group had newly added a total of 32 solid waste treatment projects with a treatment capacity of approximately 3.50 million tonnes per annum. In particular, by leveraging on the advantageous resources of Conch Cement, we had successfully obtained 9 solid waste treatment projects in Yangchun, Guangdong Province, Yiyang, Hunan Province, Dazhou, Sichuan Province, Fanchang, Anhui Province, Longan, Guangxi Province, Chizhou, Anhui Province, Xinhua, Hunan Province, Quanjiao, Anhui Province, and Zongyang, Anhui Province, with a treatment capacity of approximately 1.28 million tonnes/year.

Meanwhile, the Group has expedited the cooperation with cement companies such as China National Building Material Company Limited (“**CNBM**”). During the Reporting Period, the Group established joint ventures with each of CNBM and Inner Mongolia Mengxi Cement Co., Ltd. (“**Mengxi Cement**”) and entered into a strategic cooperation agreement with China Shanshui Cement Group Limited (“**Shanshui Cement**”). As at the date of this announcement, Anhui Haizhong Environmental Company Limited (“**Haizhong Environmental**”), a company cooperated with CNBM has successfully obtained 14 solid waste projects, with a production capacity of approximately 1.58 million tonnes/year, while achieving a strategic deployment of projects covering Guangdong, Jiangsu, Shandong, Henan and other provinces. Moreover, Inner Mongolia Mengxi Technology Development Limited* (“**Haimeng Technology**”) (海蒙科技), a joint venture cooperated with Mengxi Cement, has also obtained 2 projects in Erdos and Hulun Buir, with a treatment capacity of approximately 150,000 tonnes/year.

In addition, the Group has also proactively explored the diversified development of solid waste treatment and intensified the research and development of technologies such as anaerobic decomposition treatment of organic and hazardous waste and municipal waste, fly ash treatment with water and comprehensive utilisation of resources of solid waste and hazardous waste. As at the date of this announcement, the Group has successfully ensured 4 fly ash treatment with water projects in Wuhu, Anhui Province, Yiyang, Jiangxi Province, Xianyang, Shaanxi Province, and Yiyang, Hunan Province, with a treatment capacity of approximately 350,000 tonnes/year, 1 comprehensive utilization of resources project in Ninghai, Zhejiang Province, with a treatment capacity of approximately 40,000 tonnes/year, 1 oil-bearing sludge treatment project in Qingyang, Gansu Province, with a treatment capacity of approximately 80,000 tonnes/year, and 1 dry distillation project in Wuhu, Anhui Province, with a treatment capacity of approximately 15,000 tonnes/year.

(2) Project operation

The Group continued to explore and broaden new concepts for development of the solid waste treatment industry, energetically implemented market expansion, deeply identified potential customers, increased volume, stabilised prices, improved efficiency, and expanded customer base, so as to guarantee the effective utilisation of the production capacity of projects. During the Reporting Period, Yaobai Environmental Protection, Xingye, Wenshan, Guiyang and other projects of the Group achieved the inter-provincial transfer of hazardous waste in Jiangsu, Guangdong, Zhejiang and other regions, and increased the hazardous waste input volume. Chongqing project proactively expanded market and made planning for market penetration in advance, thus achieving immediate effect and steady increases in both volume and price upon operation.

During the Reporting Period, our solid waste treatment segment received a total of 666,600 tonnes of solid waste and hazardous waste, including 306,900 tonnes of hazardous waste and 359,700 tonnes of general solid waste. Details of other hazardous waste treatment projects are set out in the following table:

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date	Cooperation Methods	Remarks
1	In operation	Fuping, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016	Yaobai Environmental Protection holding 100%	
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	2x100,000 tonnes/year	130,000 tonnes/year (two phases)	December 2017	Wholly-owned projects	
6		Yiyang, Jiangxi Province	2x100,000 tonnes/year	170,000 tonnes/year (two phases)	May 2018		
7		Xingye, Guangxi Province	2x100,000 tonnes/year	Phase 1: 95,000 tonnes/year Phase 2: 66,500 tonnes/year	August 2018		
8		Suzhou, Anhui Province (Phase 1)	100,000 tonnes/year	50,000 tonnes/year	August 2018		
9		Wenshan, Yunnan Province (Phase 1)	100,000 tonnes/year	60,000 tonnes/year	August 2019		
10		Sishui, Shandong Province	100,000 tonnes/year	Evidence to be obtained	January 2020		
11		Qiyang, Hunan Province	100,000 tonnes/year	Evidence to be obtained	January 2020		
12		Zhong County, Chongqing City	2x100,000 tonnes/year	40,000 tonnes/year	June 2019	The Group holding 65%	
13		Qingzhen, Guizhou Province	100,000 tonnes/year	100,000 tonnes/year	September 2019	The Group holding 85%	
Subtotal			1,670,000 tonnes/year	1,056,600 tonnes/year			
14	Under construction	Yangchun, Guangdong Province	100,000 tonnes/year	/	June 2020	Wholly-owned projects	
15		Suzhou, Anhui Province (Phase 2)	100,000 tonnes/year		September 2020		
16		Linxiang, Hunan Province	100,000 tonnes/year		January 2021		
Subtotal			300,000 tonnes/year				
17	Under approval and planning	Wenshan, Yunan Province (Phase 2)	100,000 tonnes/year	/	/	Wholly-owned projects	
18		Longan, Guangxi Province	100,000 tonnes/year				
19		Quanjiao, Anhui Province	200,000 tonnes/year				
20		Baoshan, Yunnan Province	100,000 tonnes/year				
Subtotal			500,000 tonnes/year				
Total			2,470,000 tonnes/year	1,056,600 tonnes/year			

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

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation Methods
1	In operation	Lantian, Shaanxi Province	90,000 tonnes/year	January 2015	Yaobai Environmental Protection holding 100%
2		Mian County, Shaanxi Province	45,000 tonnes/year	October 2017	
3		Huaining, Anhui Province	70,000 tonnes/year	September 2017	Wholly-owned projects
4		Huaibei, Anhui Province	70,000 tonnes/year	December 2017	
5		Xianyang, Shaanxi Province	300,000 tonnes/year	August 2019	
6		Liangping, Chongqing City	75,000 tonnes/year	September 2019	
7		Guangyuan, Sichuan Province	70,000 tonnes/year	January 2020	
Subtotal			720,000 tonnes/year		
8	Under construction	Fanchang, Anhui Province	210,000 tonnes/year	July 2020	Wholly-owned projects
9		Chizhou, Anhui Province	100,000 tonnes/year	November 2020	
10		Yiyang, Hunan Province	70,000 tonnes/year	January 2021	
11	Under approval and planning	Xinhua, Hunan Province	100,000 tonnes/year	/	
12		Zongyang, Anhui Province	200,000 tonnes/year		
13		Dazhou, Sichuan Province	200,000 tonnes/year		The Group holding 80%
Subtotal			880,000 tonnes/year		
Total			1,600,000 tonnes/year		

Details of the solid waste treatment projects cooperated with CNBM and Mengxi Cement are set out in the following table:

No	Status of Construction	Cooperative entity	Project Location	Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date	Cooperation Methods	Remarks
1	In operation	South Cement	Sanming, Fujian Province	100,000 tonnes/year	37,500 tonnes/year	August 2019	Haizhong Environmental holding 35%	
2			Yixing, Jiangsu Province	100,000 tonnes/year	100,000 tonnes/year	December 2019		
Subtotal				200,000 tonnes/year	137,500 tonnes/year			
3	Under construction	China United Cement	Dezhou, Shandong Province	100,000 tonnes/year	/	September 2020	Haizhong Environmental holding 50%	
4			Luoyang, Henan Province	100,000 tonnes/year		January 2021	Haizhong Environmental holding 100%	
5			Jiyuan, Henan Province	100,000 tonnes/year		January 2021		
Subtotal				300,000 tonnes/year				
6	Under approval and planning	China United Cement	Dengfeng, Henan Province	100,000 tonnes/year	/	/	Haizhong Environmental holding 100%	
7			Taian, Shandong Province	100,000 tonnes/year			Haizhong Environmental holding 51%	Polluted soil project
8			Baoding, Hebei Province	100,000 tonnes/year				
9		Sinoma Cement	Luoding, Guangdong Province	80,000 tonnes/year			Haizhong Environmental holding 40%	
10		Qilianshan Cement	Jiayuguan, Gansu Province	200,000 tonnes/year			Haizhong Environmental holding 100%	
11		South Cement	Fuyang, Zhejiang Province	200,000 tonnes/year			Haizhong Environmental holding 65%	
12			Quzhou, Zhejiang Province	100,000 tonnes/year			Haizhong Environmental holding 100%	General solid waste
13			Chongzuo, Guangxi Province	100,000 tonnes/year				
14			Guilin, Guangxi	100,000 tonnes/year				
15		Mengxi Cement	Erdos, Inner Mongolia	100,000 tonnes/year				Haimeng Technology holding 100%
16	Hulun Buir, Inner Mongolia		50,000 tonnes/year					
Subtotal				1,230,000 tonnes/year				
Total				1,730,000 tonnes/year	137,500 tonnes/year			

Details of the fly ash treatment with water and oil-bearing sludge treatment projects are set out in the following table:

No.	Status of Construction	Project Type	Project Location	Capacity	Expected Completion Date	Remarks
1	Under construction	Fly ash treatment with water	Wuhu, Anhui Province	100,000 tonnes/year	October 2020	
2	Under approval and planning		Yiyang, Hunan Province	50,000 tonnes/year	/	
3			Yiyang, Jiangxi Province	100,000 tonnes/year		
4			Xianyang, Shaanxi Province	100,000 tonnes/year		
Subtotal				350,000 tonnes/year		
5	Under construction	Comprehensive utilization of resources	Xinyuantai, Ninghai, Zhejiang Province	40,000 tonnes/year	January 2021	The Group holding 70%
6	Under approval and planning	Oil-bearing sludge treatment	Qinyang, Gansu Province	80,000 tonnes/year	/	The Group holding 80%
7		Dry distillation	Wuhu, Anhui Province	15,000 tonnes/year		
Subtotal				135,000 tonnes/year		
Total				485,000 tonnes/year		

As at the date of this announcement, the Group has formed a scale of 6.29 million tonnes solid hazardous waste/year, the details of which are set out in the following table:

Unit: 10,000 tonnes/year

Category	Hazardous Waste						Solid Waste				
	Collaborative treatment by cement kilns						Fly Ash (under construction)	Integrated Utilization of Dry Distillation Resources (under construction)	Oil-bearing sludge (under construction)	In Operation	Under Construction
	Conch Project			Cooperation Project							
	In Operation	Hazardous Waste Qualification	Under Construction	In Operation	Hazardous Waste Qualification	Under Construction					
	130	71.15	80	70.5	48.26	153	35	5.5	8	58.5	88

Grate Furnace Power Generation

(1) Project expansion

The Group sped up to capture strategic opportunities and accelerated steps to promote the expansion of waste power generation projects. As at the date of this announcement, the Group had newly obtained 22 projects in Ningguo, Zongyang, Wuwei, Mangshi, Tengchong, Luxi, Luoping, Hanshou, Shuangfeng, Shimen, Dexing, Panshi, Suiyang, Tongzi, Pingliang, Jiuquan, Longan, Hejin, Shahe, Jinning, Pingguo and Binzhou, with a production capacity of 5.16 million tonnes/year (14,700 tonnes/day).

(2) *Project operation*

The Group carried out technological transformation through various measures and implemented professional benchmarking management, resulting in a significant growth in both the electricity generated by each tonne of waste and the on-grid electricity generated by each tonne of waste. During the Reporting Period, the Group received a total of 1,286,200 tonnes of municipal waste, treated 1,032,900 tonnes of municipal waste and achieved 329 million kwh of on-grid electricity, which representing a year-on-year increase of 40 kwh, based on 319 kwh of average on-grid electricity calculated at the volume processed in furnace and the input volume.

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
1	In operation	Jinzhai, Anhui Province	100,000 tonnes/year (300 tonnes/day)	January 2016	Wholly-owned projects
2		Tongren, Guizhou Province	2×100,000 tonnes/year (2×300 tonnes/day)	July 2017	
3		Yanshan, Yunnan Province	70,000 tonnes/year (200 tonnes/day)	August 2017	
4		Huoqiu, Anhui Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2018	
5		Li County, Hunan Province	240,000 tonnes/year (700 tonnes/day)	April 2018	
6		Songming, Yunnan Province	100,000 tonnes/year (300 tonnes/day)	January 2019	
7		Shanggao, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	February 2019	
8		Yiyang, Jiangxi Province	2×100,000 tonnes/year (2×300 tonnes/day)	June 2019	
9		Shache, Xinjiang	2×100,000 tonnes/year (2×300 tonnes/day)	June 2019	
10		Sishui, Shandong Province	140,000 tonnes/year (400 tonnes/day)	June 2019	
11		Bole, Xinjiang	100,000 tonnes/year (300 tonnes/day)	July 2019	
12		Yang County, Shaanxi Province	100,000 tonnes/year (300 tonnes/day)	October 2019	
13		Baoshan, Yunnan Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2020	
14		Fuquan, Guizhou Province	100,000 tonnes/year (300 tonnes/day)	January 2020	
15		Lujiang, Anhui Province (Phase 1)	180,000 tonnes/year (500 tonnes/day)	January 2020	
Subtotal			2.43 million tonnes/year (7,100 tonnes/day)		

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
16	Under construction	Xianyang, Shaanxi Province (Phase 1)	2×250,000 tonnes/year (2×750 tonnes/day)	April 2020	Wholly-owned projects
17		Huoshan, Anhui Province	140,000 tonnes/year (400 tonnes/day)	July 2020	
18		Shizhu, Chongqing City	100,000 tonnes/year (300 tonnes/day)	July 2020	
19		Xishui, Guizhou Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	August 2020	
20		Jinzhai, Anhui Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)	August 2020	
21		Tengchong, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	November 2020	
22		Manzhouli, Inner Mongolia	140,000 tonnes/year (400 tonnes/day)	November 2020	
23		Dexing, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	November 2020	The Group holding 90%
24		Ningguo, Anhui Province	140,000 tonnes/year (400 tonnes/day)	December 2020	Wholly-owned projects
25		Luxi, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	March 2021	
26		Mangshi, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	March 2021	
27		Luoping, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	March 2021	
28		Zongyang, Anhui Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	May 2021	
29		Shimen, Hunan Province	180,000 tonnes/year (500 tonnes/day)	May 2021	
30	Zhenxiong, Yunnan Province (Phase 1)	180,000 tonnes/year (500 tonnes/day)	July 2021		
Subtotal			2.30 million tonnes/year (6,700 tonnes/day)		

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
31	Under approval and planning	Xianyang, Shaanxi Province (Phase 2)	2×250,000 tonnes/year (2×750 tonnes/day)	/	Wholly-owned projects
32		Xishui, Guizhou Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)		
33		Zhenxiong, Yunnan Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)		
34		Tongchuan, Shaanxi Province	180,000 tonnes/year (500 tonnes/day)		
35		Lujiang, Anhui Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)		
36		Mangshi, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
37		Wuwei, Anhui Province	2×180,000 tonnes/year (2×500 tonnes/day)		
38		Hanshou, Hunan Province	140,000 tonnes/year (400 tonnes/day)		
39		Tengchong, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
40		Luxi, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
41		Jiuquan, Gansu Province	2×180,000 tonnes/year (2×500 tonnes/day)		
42		Luoping, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
43		Longan, Guangxi Province	100,000 tonnes/year (300 tonnes/day)		
44		Panshi, Jilin Province	2×140,000 tonnes/year (2×400 tonnes/day)		
45		Shuanfeng, Hunan Province	2×180,000 tonnes/year (2×500 tonnes/day)		
46		Zongyang, Anhui Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)		
47		Hejin, Shanxi Province	180,000 tonnes/year (500 tonnes/day)		

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
48	Under approval and planning	Pingliang, Gansu Province	2×180,000 tonnes/year (2×500 tonnes/day)	/	Wholly-owned projects
49		Jinning, Yunnan Province	140,000 tonnes/year (400 tonnes/day)		
50		Pingguo, Guangxi Province	140,000 tonnes/year (400 tonnes/day)		
51		Binzhou, Shaanxi Province	2×100,000 tonnes/year (2×300 tonnes/day)		
52		Thai Nguyen, Vietnam	180,000 tonnes/year (500 tonnes/day)		The Group holding 51%
53		Suiyang, Guizhou Province	140,000 tonnes/year (400 tonnes/day)		The Group holding 70%
54		Tongzi, Guizhou Province	140,000 tonnes/year (400 tonnes/day)		
55		Shahe, Hebei Province	4×180,000 tonnes/year (4×500 tonnes/day)		The Group holding 66%
Subtotal			5.52 million tonnes/year (15,700 tonnes/day)		
Total			10.25 million tonnes/year (29,500 tonnes/day)		

Waste Treatment by Cement Kilns

During the Reporting Period, 17 projects waste treatment by cement kilns were completed, with a treatment capacity of 1.35 million tonnes/year (4,000 tonnes/day), and an actual municipal waste treatment volume of 889,000 tonnes/year.

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

No.	Status of Construction	Project Location	Business Model	Capacity	Cooperation methods
1	Completed	Pingliang, Gansu Province	BOT	100,000 tonnes/year (300 tonnes/day)	Wholly-owned projects
2		Qingzhen, Guizhou Province		100,000 tonnes/year (300 tonnes/day)	
3		Yangchun, Guangdong Province		70,000 tonnes/year (200 tonnes/day)	
4		Yuping, Guizhou Province		30,000 tonnes/year (100 tonnes/day)	The Group holding 70%
5		Xishui, Guizhou Province		100,000 tonnes/year (300 tonnes/day)	
6		Qiyang, Hunan Province		100,000 tonnes/year (300 tonnes/day)	Wholly-owned projects
7		Shimen, Hunan Province		70,000 tonnes/year (200 tonnes/day)	
8		Shuicheng, Guizhou Province		70,000 tonnes/year (200 tonnes/day)	
9		Fusui, Guangxi Province		70,000 tonnes/year (200 tonnes/day)	
10		Shuanfeng, Hunan Province		70,000 tonnes/year (200 tonnes/day)	
11		Nanjiang, Sichuan Province		70,000 tonnes/year (200 tonnes/day)	
12		Lingyun, Guangxi Province		30,000 tonnes/year (100 tonnes/day)	
13		Ningguo, Anhui Province		100,000 tonnes/year (300 tonnes/day)	
14		Linxia, Gansu Province		100,000 tonnes/year (300 tonnes/day)	
15		Xingan, Guangxi Province		100,000 tonnes/year (300 tonnes/day)	
16		Yingjiang, Yunnan Province		70,000 tonnes/year (200 tonnes/day)	
17		Baoshan, Yunnan Province		100,000 tonnes/year (300 tonnes/day)	
Total				1.35 million tonnes/year (4,000 tonnes/day)	

As at the date of this announcement, the Group has a municipal waste treatment capacity of 11.60 million tonnes/year (33,500 tonnes/day), including 3.78 million tonnes/year (11,100 tonnes/day) completed and 7.82 million tonnes/year (22,400 tonnes/day) under construction and approved and under planning.

New Building Materials

The Group closely focused on the core market and strived to properly raise the selling prices of its products while proactively promoting the product research and development technology reserve, expanding product application fields and further enhancing its confidence towards the development of the industry. During the Reporting Period, the Group recorded new building materials product sales of 7.65 million square metres and achieved an operating income of RMB104.20 million.

Port Logistics

The Group deeply promoted the comprehensive governance of port technical transformation and maximised efforts to build itself into an ecological benchmarking enterprise. Furthermore, it also proactively optimised and adjusted the structure of source of goods, strengthened customer relationship, expanded external markets and stabilised throughput. During the Reporting Period, the Group achieved a throughput of 33.35 million tonnes and an operating income of RMB217.74 million, representing a growth of 10% compared with that for the same period of last year.

PROFITS

Item	2019 Amount (RMB'000)	2018 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	5,120,281	2,889,592	77.20
Profit before taxation	7,413,779	6,251,536	18.59
Share of profits of associates	6,008,155	5,275,171	13.89
Profit before taxation from principal businesses	1,405,624	976,365	43.97
Net profit attributable to equity shareholders of the Company	6,995,831	5,947,269	17.63
Net profit from principal businesses attributable to equity shareholders of the Company	987,676	672,098	46.95

During the Reporting Period, the Group recorded a total revenue of RMB5,120.28 million, representing a year-on-year increase of 77.20%. Profit before taxation amounted to RMB7,413.78 million, representing a year-on-year increase of 18.59%. Share of profits of associates amounted to RMB6,008.16 million, representing a year-on-year increase of 13.89%. Profit before taxation from principal businesses amounted to RMB1,405.62 million, representing a year-on-year increase of 43.97%. Net profit attributable to equity shareholders of the Company amounted to RMB6,995.83 million, representing a year-on-year increase of 17.63%, the net profit from principal businesses attributable to equity shareholders of the Company was RMB987.68 million, representing a year-on-year increase of 46.95%. Basic earnings per share amounted to RMB3.88, diluted earnings per share amounted to RMB3.73.

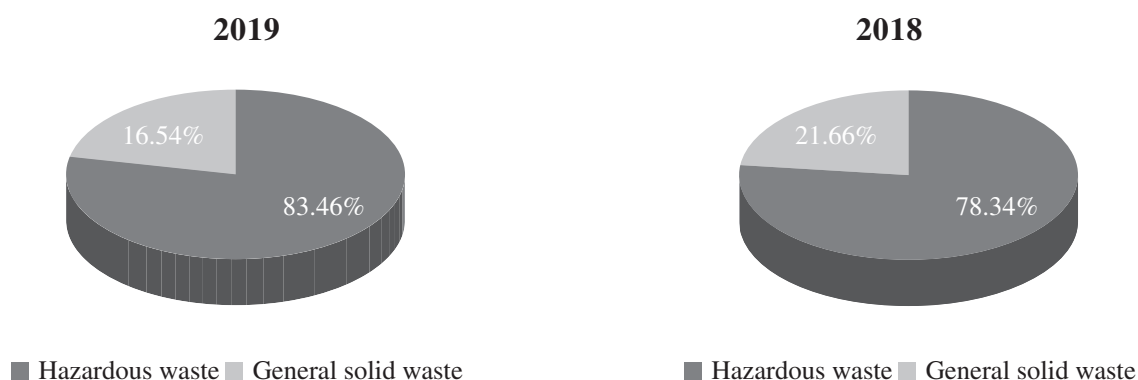
Revenue by business segments

Item	2019		2018		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Solid waste solutions	738,141	14.42	394,958	13.67	86.89	0.75
Waste incineration solutions	3,698,481	72.23	1,723,623	59.65	114.58	12.58
Energy saving equipment	361,714	7.06	461,260	15.96	-21.58	-8.90
New building materials	104,201	2.04	112,099	3.88	-7.05	-1.84
Port logistics	217,744	4.25	197,652	6.84	10.17	-2.59
Total	<u>5,120,281</u>	<u>100.00</u>	<u>2,889,592</u>	<u>100.00</u>	<u>77.20</u>	<u>-</u>

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

- (i) The revenue from solid waste solutions amounted to RMB738.14 million, representing a year-on-year increase of 86.89%, which was mainly due to the year-on-year growth of revenue from the projects in Suzhou, Xingye and Yiyang whose operation was commenced in the last year and the commencement of operation of new projects in Chongqing, Wuhu (Phase II) and Guiyang, leading to a rapid increase in revenue.
- (ii) The revenue from waste incineration solutions amounted to RMB3,698.48 million, representing a year-on-year increase of 114.58%, which was mainly due to the increase in the number of orders of waste incineration solutions and the commencement of operation of new projects in Kunming, Shanggao, Huoqiu (Phase II), Sishui and Yiyang, leading to an increase in revenue.
- (iii) The revenue from energy saving equipment amounted to RMB361.71 million, representing a year-on-year decrease of 21.58%, which was mainly due to the decline of market demand, leading to the decrease of purchase orders for energy saving equipment, resulting in a decrease in revenue.
- (iv) The revenue from new building materials recorded a year-on-year decrease of 7.05%, which was mainly due to the insufficient market demand, resulting in a decrease in revenue.
- (v) The revenue from port logistics recorded a year-on-year increase of 10.17%, which was mainly due to the fact that the Group captured the opportunity from the Yangtze River Environmental Protection Action to optimise the composition of source of goods, resulting in a year-on-year increase in handling prices.

Breakdown of revenue from solid waste solutions



During the Reporting Period, the revenue from hazardous waste solutions amounted to RMB616.07 million, representing a year-on-year increase of 99.12%. The revenue from general solid waste amounted to RMB122.07 million, representing a year-on-year increase of 42.68%.

Breakdown of revenue from waste incineration solutions

Revenue breakdown	2019		2018		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Construction revenue	3,321,940	89.82	1,486,735	86.26	123.44	3.56
Waste treatment by						
cement kilns	25,190	0.68	82,492	4.79	-69.46	-4.11
Grate furnace						
power generation	3,296,750	89.14	1,404,243	81.47	134.77	7.67
Operation revenue	259,051	7.00	143,220	8.31	80.88	-1.31
Waste treatment by						
cement kilns	49,427	1.33	40,235	2.33	22.85	-1.00
Grate furnace						
power generation	209,624	5.67	102,985	5.98	103.55	-0.31
Interest revenue	117,490	3.18	93,668	5.43	25.43	-2.25
Waste treatment by						
cement kilns	64,880	1.76	61,236	3.55	5.95	-1.79
Grate furnace						
power generation	52,610	1.42	32,432	1.88	62.22	-0.46
Total	3,698,481	100.00	1,723,623	100.00	114.58	-

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB3,321.94 million, representing a year-on-year increase of 123.44%, which was mainly due to the increase in the number of the Group's grate furnace power generation projects and acceleration of construction progress. The operation revenue from waste incineration solutions segment amounted to RMB259.05 million, representing a year-on-year increase of 80.88%, which was mainly due to the commencement of operation of new generation projects in Kunming, Shanggao, Sishui, Huoqiu (Phase II) and Yiyang.

Revenue by geographical locations

Item	2019		2018		Change in amount (%)	Change in Percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Mainland China	4,985,598	97.37	2,585,651	89.48	92.82	7.89
Asia-Pacific (except Mainland China)	134,502	2.63	299,000	10.35	-55.02	-7.72
North America	18	-	4,941	0.17	-99.64	-0.17
Africa	163	-	-	-	-	-
Total	5,120,281	100.00	2,889,592	100.00	77.20	-

During the Reporting Period, the Group's revenue derived from Mainland China market recorded a year-on-year increase of 92.82%, with its proportion in total revenue increased by 7.89 percentage points year-on-year, which was mainly due to the Group's acceleration of construction progress of grate furnace power generation projects as well as solid waste treatment projects and the successive commencement of operation of projects. The revenue derived from the Asia-Pacific (except Mainland China) market amounted to RMB134.50 million, representing a year-on-year decrease of 55.02%, with its proportion in total revenue decreased by 7.72 percentage points year-on-year, which was mainly due to the year-on-year decrease in number of overseas energy saving equipment orders which led to the decrease of the revenue.

Gross profit and gross profit margin

Item	2019		2018		Change in amount (%)	Change in gross profit margin (percentage points)
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)		
Solid waste solutions	541,521	73.36	306,340	77.56	76.77	-4.20
Waste incineration solutions	963,135	26.04	556,542	32.29	73.06	-6.25
Energy saving equipment	96,360	26.64	132,260	28.67	-27.14	-2.03
New building materials	17,802	17.08	18,233	16.27	-2.36	0.81
Port logistics	132,813	61.00	112,893	57.12	17.65	3.88
Total	1,751,631	34.21	1,126,268	38.98	55.53	-4.77

During the Reporting Period, the consolidated gross profit margin of the Group's products was 34.21%, representing a year-on-year decrease of 4.77 percentage points. With a breakdown by segments:

- (i) The gross profit margin for solid waste solutions was 73.36%, representing a year-on-year decrease of 4.20 percentage points, which was mainly caused by the decrease of sale price while the operation cost was increasing in some regions. Among which, the gross profit margin for hazardous waste was 76.68%, representing a year-on-year decrease of 4.10 percentage point. The gross profit margin for general solid waste was 57.82%, representing a year-on-year decrease of 8.10 percentage point.
- (ii) The gross profit margin for waste incineration solutions was 26.04%, representing a year-on-year decrease of 6.25 percentage points, which was mainly due to the rising construction costs of the Group which led to the year-on-year decrease of gross profit margin in construction period.
- (iii) The gross profit margin for energy saving equipment was 26.64%, representing a year-on-year decrease of 2.03 percentage points; the gross profit margin for new building materials was 17.08%, representing a year-on-year increase of 0.81 percentage points.
- (iv) The gross profit margin for port logistics was 61.00%, representing a year-on-year increase of 3.88 percentage points, which was mainly due to the fact that the Group actively identified high-quality customers and increased the coal transfer price.

Other income

During the Reporting Period, the Group's other income amounted to RMB199.19 million, representing a year-on-year increase of RMB36.33 million, or 22.31%, which was mainly due to the year-on-year increase in government grants and interest income received by the Group.

Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB89.62 million, representing a year-on-year increase of RMB32.38 million, or 56.57%, which was mainly due to the increased distribution costs caused by active exploration of the market by the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB277.89 million, representing a year-on-year increase of RMB97.42 million, or 53.98%, which was mainly due to the increase in the operating companies and the increase in employees' remuneration.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB177.68 million, representing a year-on-year increase of RMB102.64 million, or 136.78%, which was mainly due to the accrued interest 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 RMB7,413.78 million, representing a year-on-year increase of RMB1,162.24 million, or 18.59%, which was mainly due to joint influence from the increase in net profit from Conch Holdings, an associate of the Group and the rapid increase in net profits from principal businesses. Share of profit of an associate amounted to RMB6,008.16 million, representing a year-on-year increase of 13.89%, and profit before taxation from principal businesses amounted to RMB1,405.62 million, representing a year-on-year increase of 43.97%.

FINANCIAL POSITION

As at 31 December 2019, the Group's total assets amounted to RMB42,171.16 million, representing an increase of RMB8,955.26 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB31,852.95 million, representing an increase of RMB6,100.14 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 22.31%, representing an increase of 1.99 percentage point as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2019 (RMB'000)	As at 31 December 2018 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	2,443,912	1,725,038	41.67
Non-current assets	36,706,956	27,145,806	35.22
Current assets	5,464,605	6,070,496	-9.98
Current liabilities	3,878,313	2,171,309	78.62
Non-current liabilities	5,530,852	4,579,132	20.78
Net current assets	1,586,292	3,899,187	-59.32
Equity attributable to equity shareholders of the Company	31,852,952	25,752,817	23.69
Total assets	42,171,561	33,216,302	26.96
Total liabilities	9,409,165	6,750,441	39.39

Non-current assets and current assets

As at 31 December 2019, non-current assets of the Group amounted to RMB36,706.96 million, representing an increase of 35.22% as compared to the end of the previous year, which was mainly due to the increase in interests in associates, property, plant and equipment and intangible assets.

Current assets of the Group amounted to RMB5,464.61 million, representing a decrease of 9.98% as compared to the end of the previous year.

Non-current liabilities and current liabilities

As at 31 December 2019, non-current liabilities of the Group amounted to RMB5,530.85 million, representing an increase of 20.78% as compared to the end of the previous year, which was mainly due to increase in the new long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB3,878.31 million, representing an increase of 78.62% as compared to the end of the previous year, which was mainly due to the year-on-year increase in accounts payable and bills payables as the Group increased investments in construction projects.

As at 31 December 2019, current ratio (calculated by dividing total amount of current assets by current liabilities) and debt to equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 1.41 and 0.08 respectively, as compared to 2.80 and 0.05 respectively, as at the end of the previous year.

Net current assets

As at 31 December 2019, net current assets of the Group amounted to RMB1,586.29 million, representing a decrease of RMB2,312.90 million as compared to the end of the previous year, which was mainly due to the rapid increase of trade and other payables of the Group.

Equity attributable to equity shareholders of the Company

As at 31 December 2019, the Group's equity attributable to equity shareholders of the Company amounted to RMB31,852.95 million, representing an increase of 23.69% as compared to the end of the previous year, which was mainly due to the increases in net profit from principal businesses and the interests in associates attributable to the equity shareholders of the Group.

LIQUIDITY AND CAPITAL SOURCES

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 loans, so as to fully satisfy the Company's capital needs. As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB2,962.20 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

Bank loans

Item	As at 31 December 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Due within one year	664,700	71,800
Due after one year but within two years	816,737	102,800
Due after two years but within five years	732,090	1,002,900
Due after five years	369,710	90,000
Total	<u>2,583,237</u>	<u>1,267,500</u>

As at 31 December 2019, the balance of bank loans of the Group amounted to RMB2,583.24 million, representing an increase of RMB1,315.74 million as compared to the end of the previous year, which was mainly due to the increase in new bank loans raised by the Group during the Reporting Period. As at 31 December 2019, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

Cash flows

Item	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Net cash generated from operating activities	365,359	397,130
Net cash used in investing activities	-514,118	-2,469,956
Net cash generated from financing activities	385,648	3,266,374
Net increase in cash and cash equivalents	236,889	1,193,548
Effect of foreign exchange rate changes	51,446	22,552
Cash and cash equivalents at beginning of the year	2,673,845	1,457,745
Cash and cash equivalents at end of the year	2,962,200	2,673,845

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB365.36 million, representing a year-on-year decrease of RMB31.77 million, which was mainly due to the impacts of the increase of the trade and other receivable and income tax expense of the Group.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB514.12 million, representing a year-on-year decrease of RMB1,955.84 million, which was mainly due to the receipt of the Group's bank deposits with original maturity over three months which was handled last year 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 RMB385.65 million, representing a year-on-year decrease of RMB2,880.73 million, which was mainly due to the impacts of the issuance of the convertible bonds last year.

COMMITMENTS

As at 31 December 2019, the Group had outstanding purchase commitments related to BOT construction contracts and capital commitments not provided for in the consolidated financial statements were as follows:

Item	As at 31 December 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Contracted for	1,976,373	1,327,312
Authorised but not contracted for	2,345,775	2,196,735
Total	4,322,148	3,524,047

FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group were mainly derived from accounts receivable and accounts payable arising from sales and procurement which were mainly denominated in foreign 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 risk.

During the Reporting Period, the Group did not use any financial derivatives to hedge against any foreign exchange risks.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2019, 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 according to the strategical development demand of the Group. 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, meanwhile based on horizontal division of technology R&D, production and operation, and professional function management. During the Reporting Period, the Group implemented reform in remuneration system, established new positions and roles system, fully played the incentive and constraint roles, promoted and motivated the enthusiasm of the management and staff. The Group also organized safety knowledge training, law-related knowledge training, trainings relating to basic knowledge and policy analysis of treatment technologies of industrial solid and hazardous waste and grate furnace technology, lectures on internal control and risk management and personnel administration training, with a view to assist the management and staff in learning and mastering various production and operation management techniques and knowledge. The Group also continued to strengthen talents team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2019, the Group had 3,941 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 2019, the total remuneration of employees (including the remuneration of the directors) was approximately RMB306.58 million (2018: RMB199.38 million).

FUTURE PLAN AND OUTLOOK

The year of 2019 was an extraordinary year, international situation kept changing, the competition between major powers was intensified, the trade of anti-globalisation became increasingly severe, and the global economy remained in the doldrums. Confronted with the complex environment in China and abroad where risks and challenges were increasing sharply, the Group focused on the environmental protection businesses, over-fulfilled the development targets, implemented benchmarking management, further improved the operation quality of projects, and maintained a rapid growth in the net profit from its main businesses.

The pneumonia epidemic caused by the Novel Coronavirus (COVID-19) has been spreading worldwide since January 2020, the Group has formulated a multi-tier epidemic prevention and control system comprising the head office, domestic and overseas strictly in compliance with the national overall deployment, fully adhered to the requirements of “have strong confidence, work together diligently, adopt preventive and control measures in a scientific approach and execute policies with precision”, and adopted precise, accurate and effective measures, so as to win the battle against the epidemic.

Confronted with the severity of the epidemic, the Group reasonably arranged the diversified working manners of the majority of cadres and staff under the established prevention and control system, and conducted the production and operation orderly while ensuring the health and safety of staff. Meanwhile, the Group coordinated with the local governments where the relevant projects located and proactively applied for the resumption of projects under construction. The Group also proactively implemented the social responsibilities of environmental protection enterprises, and provided medical waste treatment such as protective suits and masks for many project localities in emergency to solve the urgent need of the local governments.

The epidemic has impacts on the Group's project operations and engineering construction on different extent. The Group will continue to closely monitor the development of the epidemic, push forward various tasks with greater strength and faster pace, strive to regain the delayed time, minimize the impact of the epidemic and disclose major matters related to the epidemic which have a material impact on the Group on a timely basis.

The year of 2020 is the final year of the "Thirteen Five-Year" Plan, the State adheres to the principal of steady development and unswervingly implements the new development philosophy. For environmental management, the State keeps the direction and strengths unchanged, keeps the water clean, keeps the sky blue and keeps the land pure, and promotes the continuous and positive development of eco-environmental quality. Thus, the environmental protection industry has been gradually becoming a new highlight and a new pillar in the new economic normality.

The year of 2020 is also the second year of the five-year development plan of the Group. We will agglomerate our cohesiveness, continue to promote the rapid development of environment protection industry driven by the dual engines of "solid waste treatment plus grate furnace power generation", and make every efforts to promote the continuous rapid and high-quality development of the Company in the spirit of persistent perseverance and indomitable resilience. The Group will focus on the following aspects:

Strengthen the research and development of new environmental protection technologies and improve the core competitiveness of the Company

We will further play the positive role of environmental protection research institute, and gradually realise the independent design or research of new environmental protection technologies, so as to ensure the sustainable and high-quality development of the Group. On the one hand, after introducing the technologies such as fly ash treatment with water, anaerobic decomposition treatment and comprehensive utilisation of resources, we will carefully analyze the advantages and disadvantages of new technologies and gradually form the new phase of the synchronous development of collaborative solid waste treatment by cement kilns and the solid waste treatment without kilns. On the other hand, we will introduce the anaerobic decomposition treatment technology to supplement our grate furnace power generation technology.

Capture the market opportunities for the solid waste treatment business and strive to exploit a new pattern of development

For project development, firstly, we will promote the cooperation with CNBM, Mengxi Cement and Shanshui Cement to expand the coverage of Conch Cement's projects and expedite the implementation of intent projects as soon as possible. Secondly, we will accelerate the implementation of more projects on anaerobic decomposition treatment of organic hazardous waste and projects on solid waste treatment transformed from municipal waste treatment by cement kiln. Thirdly, we will leverage on the advantages of fly ash treatment with water and fly ash treatment by cement kilns to make an overall plan on the fly ash treatment projects.

For project operation, we will proactively respond to the competition pressure from the solid waste treatment business market, proactively identify new customers, establish a long-term cooperation mechanism in key areas with advanced economy and concentrated wastes from production, promote the inter-regional and inter-provincial transfer pattern, deeply explore market space, continuously enhance the communication with enterprises in respect of collaborative treatment by cement kilns, fully leverage synergies effect, and strive to improve the equipment operation efficiency and achieve an efficient and stable operation.

Waste power generation will closely adhere to growth planning and continuously improve the operation quality

For project development, firstly, we will fully leverage on the effects of regional demonstration projects and strive to promote the signing of large projects by drawing upon the past experience gained on key points. Secondly, we will targetedly, focusedly and confidently carry out our oversea project expansion work. Thirdly, we will research on feed-in tariff policies and develop necessary reactive measures to lower the investment risks.

For operational management, with a focus on improving the quality of wastes and enhancing the treatment effectiveness, the Group will continuously promote the standardised project management and enhance the economic benefits of the projects in operation.

For engineering construction, the Group will accelerate the application for approval and construction, and speed up the progress of titles process. Meanwhile, the Group will formulate a mechanism for assessment of construction schedule so that the construction of projects can be commenced on time and put in production against schedule.

Other business segments will strive for further enhancement with great confidence

The new building materials segment will be market demand-oriented, while the Group will identify new customers, make efforts to improve the quality of its products and services and enhance the overall comprehensive competitiveness of its businesses.

The port logistics segment will enlarge the market share of its clients, increase the port transit volume of high-quality clients, build its new image as an ecological and green port, and maintain the stable and long-term economic benefits.

FINAL DIVIDENDS

At the Board meeting held on 23 March 2020, the directors proposed to declare a final cash dividend of HK\$0.65 per share for the year ended 31 December 2019. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting (“AGM”). The final dividend is expected to be paid on 23 July 2020.

ANNUAL GENERAL MEETING

The 2020 AGM of the Company will be held on Monday, 29 June 2020. 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 2019 (“**2019 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 Monday, 22 June 2020 to Monday, 29 June 2020, 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 Friday, 19 June 2020.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 9 July 2020 to Monday, 13 July 2020, 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 Wednesday, 8 July 2020.

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 of the Corporate Governance Code set out in Appendix 14 to 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 have 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 2019 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 (<http://www.hkexnews.hk>) and the website of the Company (<http://www.conchventure.com>). The 2019 Annual Report of the Company 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, 23 March 2020

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*