

CONCH VENTURE

2017

中期報告



INTERIM
REPORT

Striving to focus on energy-preservation, environmental-friendly and new building materials industries to build a beautiful home for all people

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

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

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

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

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DEFINITIONS

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

Anhui Conch Venture New Building Material Company:	安徽海創新型節能建築材料有限責任公司(Anhui Conch Venture New Energy-saving Building Material Co. Ltd*)
Associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou Conch Venture New Building Material Company:	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-saving Building Material Co. Ltd*)
China or the PRC:	the People's Republic of China
Company or Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Director(s):	the director(s) of the Company
EPC:	engineering, procurement and construction, a type of business arrangement used in the design and construction of a facility
Golden Convergence:	Golden Convergence Limited (金匯有限公司)
Group:	the Company and its subsidiaries
HKD:	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

DEFINITIONS

Management:	the management of the Company
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the six-month period from 1 January 2017 to 30 June 2017
RMB:	the lawful currency of the PRC
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
Shareholder(s):	the shareholder(s) of the Company
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Substantial Shareholder(s):	has the meaning ascribed thereto under the Listing Rules
Yaobai Environmental:	Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. (西安堯柏環保科技工程有限公司)



CORPORATE INFORMATION

- (I) **REGISTERED CHINESE NAME OF THE COMPANY:** 中國海螺創業控股有限公司
CHINESE ABBREVIATION: 海螺創業
REGISTERED ENGLISH NAME OF THE COMPANY: CHINA CONCH VENTURE HOLDINGS LIMITED
ENGLISH ABBREVIATION: CONCH VENTURE
- (II) **EXECUTIVE DIRECTORS:** Mr. GUO Jingbin (*Chairman*)
Mr. JI Qinying (*Chief Executive Officer*)
Mr. LI Jian
Mr. LI Daming
- (III) **NON-EXECUTIVE DIRECTOR:** Ms. ZHANG Mingjing
(retired on 28 June 2017)
- (IV) **INDEPENDENT NON-EXECUTIVE DIRECTORS:** Mr. CHAN Chi On (alias Derek CHAN)
Mr. CHAN Kai Wing
Mr. LAU Chi Wah, Alex
- (V) **AUDIT COMMITTEE:** Mr. CHAN Chi On (alias Derek CHAN) (*Chairman*)
Mr. CHAN Kai Wing
Mr. LAU Chi Wah, Alex
- (VI) **REMUNERATION AND NOMINATION COMMITTEE:** Mr. LAU Chi Wah, Alex (*Chairman*)
Mr. CHAN Chi On (alias Derek CHAN)
Mr. CHAN Kai Wing
Mr. JI Qinying
- (VII) **COMPANY SECRETARY:** Mr. SHU Mao
Ms. NG Sin Yee, Clare
(resigned on 13 April 2017)

CORPORATE INFORMATION

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



CORPORATE INFORMATION

(XVII) CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT:

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

(XVIII) HONG KONG BRANCH SHARE REGISTRAR:

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

(XIX) STOCK CODE:

00586



FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE SIX MONTHS ENDED 30 JUNE 2017)

1. Operating results

Item	January – June	January – June	Unit: RMB'000
	2017	2016	Changes between the Reporting Period and the corresponding period of the previous year (%)
	Amount (RMB'000)	Amount (RMB'000)	
Revenue	1,040,977	909,058	14.51
Profit before taxation	1,595,772	977,688	63.22
Share of profit of an associate	1,197,706	588,874	103.39
Net profit attributable to equity shareholders of the Company	1,441,449	822,582	75.23
Net profit from principal businesses attributable to equity shareholders of the Company	243,743	233,708	4.29

Notes: Net profit from principal businesses attributable to equity shareholders of the Company represents net profit attributable to equity shareholders of the Company after deducting share of profit of an associate.

2. Assets and liabilities

Item	As at	As at	Unit: RMB'000
	30 June 2017	31 December 2016	Changes between the end of the Reporting Period and the end of the previous year (%)
	Amount (RMB'000)	Amount (RMB'000)	
Total assets	21,676,369	20,213,073	7.24
Total liabilities	2,406,928	1,866,483	28.96
Equity attributable to equity shareholders of the Company	18,664,759	17,747,317	5.17

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

According to the statistics from National Bureau of Statistics of China, the GDP of the PRC recorded a year-on-year increase of 6.9% in the first half of 2017, showing a resilient economic growth in the PRC. Nevertheless, the uncertainty and instability over the global economy continued to impact on the economy of the PRC, which has brought over not only opportunities for the China's economy to catch up, but also complex and ever-changing challenges. In the context of transformation and upgrading of the real economy, the Group has been facing many challenges. However, under the strong leadership of the Board, the Group adhered to our original mission and continued to put the Company's operation philosophy into practice, with a view to moving towards the goals of achieving steady growth in the energy-saving business, reaping fruitful results in the environmental protection business and being well poised for the new building materials business.

In the first half of 2017, the Group actively expanded in the domestic and overseas markets to secure more business orders, and increased its efforts in internal research and development, optimised management models and effectively accomplished various business targets.

Building on the success of environmental protection business to accomplish half-year development goals

The current major technologies of the Group's environmental protection business include: treatment of industrial solid and hazardous waste by cement kilns, grate furnace power generation and collaborative treatment of municipal waste by cement kilns, etc.

During the Reporting Period, the Group secured a total of 8 new environmental protection projects, among which, 4 were solid and hazardous waste treatment projects in Xingye, Guangxi Region, Qianyang, Shaanxi Province, Wenshan, Yunnan Province and Sishui, Shandong Province; 2 were grate furnace power generation projects in Songming, Yunnan Province and Yiyang, Jiangxi Province; and 2 were collaborative treatment of municipal waste by cement kilns projects in Xing'an, Guangxi Region and Yingjiang, Yunnan Province, and reserved certain project entities.

1. Treatment of Industrial Solid and Hazardous Waste by Cement Kilns

During the Reporting Period, 4 project orders of treatment of industrial solid and hazardous waste by cement kilns were successfully secured by the Group. While actively securing orders, the Group has also committed to expanding its customer base to obtain sources of solid and hazardous waste for the projects under construction.

BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Business Model	Annual Capacity	Expected Completion Date	Remarks	
1	Completed	Lantian County, Shaanxi Province	Joint venture ^{Note 1}	90,000 tonnes	/		
2		Fuping County, Shaanxi Province		100,000 tonnes	/		
3		Qian County, Shaanxi Province		70,000 tonnes	/		
Subtotal				260,000 tonnes			
4	Under construction	Mian County, Shaanxi Province	Joint venture ^{Note 1}	18,000 tonnes	August 2017		
5		Huaining City, Anhui Province	Proprietary investment	70,000 tonnes	September 2017		
6		Wuhu City, Anhui Province		2x100,000 tonnes	Phase 1: October 2017	To be constructed in two phases	
7		Huaibei City, Anhui Province		70,000 tonnes	November 2017		
8		Yiyang County, Jiangxi Province		2x100,000 tonnes	Phase 1: March 2018	To be constructed in two phases	
Subtotal				558,000 tonnes			
9	Approved and under planning	Guangyuan City, Sichuan Province	Proprietary investment	100,000 tonnes	July 2018	To be constructed in two phases	
10		Wenshan City, Yunnan Province		2x100,000 tonnes	Phase 1: July 2018		
11		Xingye County, Guangxi Region		2x100,000 tonnes	Phase 1: July 2018		
12		Suzhou City, Anhui Province		2x100,000 tonnes	Phase 1: September 2018		
13		Shimen County, Hunan Province		100,000 tonnes	October 2018		
14		Zhong County, Chongqing City		2x100,000 tonnes	Phase 1: November 2018	To be constructed in two phases	
15		Qianyang County, Shaanxi Province		Joint venture ^{Note 1}	100,000 tonnes	November 2018	
16		Sishui County, Shandong Province		Proprietary investment	100,000 tonnes	December 2018	
Subtotal				1,200,000 tonnes			
Total				2,018,000 tonnes			

Note:

- These projects are operated by the wholly-owned subsidiaries of Yaobai Environmental, a joint venture of the Group. Yaobai Environmental is owned as to 60% equity interest by the Group.

BUSINESS REVIEW AND OUTLOOK

As at the end of the Reporting Period, 5 treatment of industrial solid and hazardous waste by cement kilns projects were under construction, and 3 projects were completed and put into operation. The annual treatment capacity of completed projects was approximately 260,000 tonnes. The 4 projects in Huaining, Wuhu, Huaibei, Anhui Province and Mian County, Shaanxi Province are under preparation for trial production, which is expected to be put into operation in the second half of 2017. By that time, the Group's annual treatment capacity of completed projects put into operation would increase by 258,000 tonnes.

2. Grate Furnace Power Generation

During the Reporting Period, 2 new grate furnace power generation projects were secured. Projects under construction were in full swing. In order to promote the grate furnace power generation technology, the Group also actively visited and conducted field research on the conditions of cleaning, transportation, treatment of municipal waste and resources recycling in Bali, Indonesia and Morocco, North Africa. The Group has entered into memorandum of cooperation with the two local governments or relevant authorities.

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

No.	Status of Construction	Project Location	Business Model	Annual Capacity	Expected Completion Date	Remarks
1	Completed	Jinzhai County, Anhui Province	BOT	100,000 tonnes	/	
Subtotal				100,000 tonnes		
2	Under construction	Tongren City, Guizhou Province	BOT	2x100,000 tonnes	Phase 1: July 2017 Phase 2: September 2017	
3		Yanshan County, Yunnan Province		100,000 tonnes	September 2017	
4		Huoqiu County, Anhui Province		2x140,000 tonnes	Phase 1: October 2017	To be constructed in two phases
5		Shache County, Xinjiang Region		2x100,000 tonnes	Phase 1: December 2017 Phase 2: March 2018	
6		Li County, Hunan Province		2x100,000 tonnes	Phase 1: March 2018	To be constructed in two phases
7		Bole City, Xinjiang Region		100,000 tonnes	June 2018	
8		Songming County, Yunnan Province		2x100,000 tonnes	Phase 1: September 2018	To be constructed in two phases
Subtotal				1,280,000 tonnes		
9	Approved and under planning	Susong County, Anhui Province	BOT	2x140,000 tonnes	/	
10		Yiyang County, Jiangxi Province		2x100,000 tonnes	/	
Subtotal				480,000 tonnes		
Total				1,860,000 tonnes		

As at the end of the Reporting Period, 7 grate furnace power generation projects were under construction, and 1 project was completed and put into operation. The annual treatment capacity of the completed grate furnace power generation projects was approximately 100,000 tonnes. The projects in Tongren, Guizhou Province, Yanshan, Yunnan Province and Huoqiu, Anhui Province were fully prepared for trial production, which will be put into operation in the second half of 2017. By that time, the Group's annual treatment capacity of completed projects put into operation would increase by 440,000 tonnes.

BUSINESS REVIEW AND OUTLOOK

3. Collaborative Treatment of Municipal Waste by Cement Kilns

During the Reporting Period, 2 new collaborative treatment of municipal waste by cement kilns projects were secured. As at the end of the Reporting Period, 15 projects were completed and put into operation; and 3 projects were under construction (2 of which were EPC). The annual treatment capacity of completed projects was approximately 1,180,000 tonnes.

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

No.	Status of Construction	Project Location	Business Model	Annual Capacity	Remarks
1	Completed	Pingliang City, Gansu Province	BOT	100,000 tonnes	
2		Qingzhen City, Guizhou Province		100,000 tonnes	
3		Yangchun City, Guangdong Province		70,000 tonnes	
4		Yuping County, Guizhou Province		30,000 tonnes	A joint venture with China National Building Material Company Limited
5		Xishui County, Guizhou Province		100,000 tonnes	
6		Qiyang County, Hunan Province		100,000 tonnes	
7		Shimen County, Hunan Province		70,000 tonnes	
8		Shuicheng County, Guizhou Province		70,000 tonnes	
9		Fusui County, Guangxi Region		70,000 tonnes	
10		Shuangfeng County, Hunan Province		70,000 tonnes	
11		Baoshan City, Yunnan Province		100,000 tonnes	
12		Nanjiang County, Sichuan Province		70,000 tonnes	
13		Lingyun County, Guangxi Region		30,000 tonnes	
14		Ningguo City, Anhui Province		100,000 tonnes	
15		Linxia Prefecture, Gansu Province		100,000 tonnes	
Subtotal				1,180,000 tonnes	
16	Under construction	Shahe City, Hebei Province	EPC	/	
17		Longyan City, Fujian Province		/	
18		Xing'an County, Guangxi Region	BOT	100,000 tonnes	Expected to be put into operation in May 2018
Subtotal				100,000 tonnes	
19	Approved and under planning	Yingjiang County, Yunnan Province	BOT	70,000 tonnes	Expected to be put into operation in October 2018
Subtotal				70,000 tonnes	
Total				1,350,000 tonnes	

BUSINESS REVIEW AND OUTLOOK

Seeking transformation in energy-saving business to curb decrease in revenue

During the Reporting Period, affected by the shrinking domestic market and the progress of orders from overseas markets, the revenue generated from residual heat power generation business of the Group amounted to RMB219.10 million, representing a decrease of 47.7% as compared with the corresponding period of the previous year. The revenue generated from vertical mill business amounted to RMB98.50 million, representing an increase of 110.31% as compared with the corresponding period of the previous year.

During the Reporting Period, in terms of development of energy-saving business, the Group continued to focus on the overseas markets and advance the business of cement residual heat power generation, coal-fired power plants and vertical mills in the overseas markets so as to cover the loss in the domestic residual heat power generation market. Besides, the Group is committed to achieving the transformation and upgrade of energy-saving business by expediting technological advancements, such as kitchen and medical waste treatment, city watercourse and lake area sewage treatment and anaerobic decomposition of waste.

Applying multiple measures in new building materials business to achieve marked improvements

During the Reporting Period, in-depth benchmarking management in new building materials business has been carried out by sharing internal resources. For product sales, the Group targeted to 'elevate the quantity and raise the price', implemented various measures for market expansion and continued to enhance its quality of sale services. Meanwhile, the Group emphasised on stable product quality and further enhanced the market competitiveness of its products accordingly. Accumulated sales of Anhui Conch Venture New Building Material Company for the first half of the year has reached 1,640,000 sq.m., representing an increase of 44% as compared with the corresponding period of the previous year. In particular, the sales hit a record monthly high of over 400,000 sq.m. in June. Accumulated sales of Bozhou Conch Venture New Building Material Company for the first half of the year has reached 1,020,000 sq.m., representing an increase of 70% as compared with the corresponding period of the previous year. Both companies have recorded an increase in quantity and price.

During the Reporting Period, the new building materials business sold an aggregate of 2,660,000 sq.m. of ACA panels and recorded a revenue of RMB30.89 million.

Stable Operation in Port Logistics Business

During the Reporting Period, the Group kept abreast of updates in government policies and grasped the market trends so as to increase its market share. By providing quality services, the Group has been well recognised by both existing and new customers.

During the Reporting Period, the revenue from port logistics business amounted to RMB74.97 million, representing an increase of 9.37%, and the throughput hit a record high of 13,710,000 tonnes since the commencement of operation of the port.

BUSINESS REVIEW AND OUTLOOK

Outlook for the Second Half of the Year

In the second half of the year, the Group will continue to focus on three main businesses, i.e. energy-saving, environmental protection and new building materials, and seize opportunities for expanding into both the domestic and overseas markets. In the meantime, the Group will strive for stable growth in operating results through innovating its operation system and strengthening its internal management with an aim to reap excellent operating results in return for the support and recognition from the shareholders of the Group.

First of all, the Group will use its best endeavour to advance the development of environmental protection business and enhance the quality of the operation of its environmental protection projects. First, the Group will concentrate on the optimisation of the management and debugging trial production of solid and hazardous waste treatment projects and market expansion of such projects. Second, the Group will strengthen the operation and management of collaborative treatment of municipal waste by cement kilns and grate furnace power generation projects in operation. Third, the Group will accelerate the promotion of environmental protection projects to ensure that contract-signing target of environmental protection projects for the year could be accomplished.

Secondly, the Group will strive to bring about a stability in operation of the energy-saving segment by means of transformation and upgrading as follows: (i) further modify the technological solutions of the existing territory, so as to reduce cost, enhance efficiency, and increase the Group's core competitiveness; (ii) continue to provide construction design, equipment manufacturing and construction installation for environmental protection projects; (iii) increase the effort of expanding the external market of equipment manufacturing industry so as to broaden the Company's business scope; (iv) by fully leveraging on the technologies provided by Kawasaki Japan, so as to introduce technologies with promotional values and conduct research and analysis of the PRC market; continue to promote the application technologies in kitchen and medical waste treatment, anaerobic decomposition technology and sewage treatment of city watercourse and lake areas; and (v) continue to pay close attention to the progress of overseas projects under construction and follow up on major projects and potential markets.

Thirdly, the Group will keep its new building materials business moving in a positive trend. Concurrent with the prolonged sales breakthrough, the Group will ride the tide and ensure further increase in sales through maintaining its relationship with existing customers and soliciting more new customers. The Group will also continue to strengthen its internal benchmarking management to identify the differences between the companies set up in Wuhu and Bozhou, Anhui, so as to implement remedial measures and jointly analyse the operation of production and organisation with an aim to take the management standards of new building materials business to the next level.

Fourthly, the Group will maintain the stable operation of its port logistics business. The Group will step up its effort in market analysis, optimisation of the cargo sources structure, enhancement of the service quality, enlargement of the diversified operations and enhancement of the loading and unloading efficiency to comprehensively improve the operation quality. Meanwhile, the Group will seek for new development channels by making use of the opportunities when the country remediates the small docks of river basins.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) PROFITS

Item	January – June 2017 Amount (RMB'000)	January – June 2016 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	1,040,977	909,058	14.51
Profit before taxation	1,595,772	977,688	63.22
Profit before taxation from principal businesses	398,066	388,814	2.38
Share of profit of an associate	1,197,706	588,874	103.39
Net profit attributable to equity shareholders of the Company	1,441,449	822,582	75.23
Net profit from principal businesses attributable to equity shareholders of the Company	243,743	233,708	4.29

During the Reporting Period, the Group recorded a revenue of RMB1,040.98 million, representing an increase of 14.51% as compared with the corresponding period of the previous year. Profit before taxation amounted to RMB1,595.77 million, representing an increase of 63.22% as compared with the corresponding period of the previous year, among which, profit before taxation from principal businesses amounted to RMB398.07 million, representing an increase of 2.38% as compared with the corresponding period of the previous year, and share of profit of an associate amounted to RMB1,197.71 million, representing an increase of 103.39% as compared with the corresponding period of the previous year. Net profit attributable to equity shareholders of the Company amounted to RMB1,441.45 million, representing an increase of 75.23% as compared with the corresponding period of the previous year, among which, net profit from principal businesses attributable to equity shareholders of the Company amounted to RMB243.74 million, representing an increase of 4.29% as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB0.80.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business

Item	January – June 2017		January – June 2016		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Waste incineration solutions	567,974	54.56	327,580	36.04	73.38	18.52
Solid and hazardous waste treatment	49,551	4.76	29,455	3.24	68.23	1.52
Residual heat power generation	219,097	21.05	418,889	46.08	-47.70	-25.03
Vertical mills	98,499	9.46	46,836	5.15	110.31	4.31
New building materials	30,889	2.97	17,751	1.95	74.01	1.02
Port logistics	74,967	7.20	68,547	7.54	9.37	-0.34
Total	1,040,977	100.0	909,058	100.00	14.51	-

During the Reporting Period, the revenue from waste incineration solutions, solid and hazardous waste treatment and new building materials maintained a rapid growth. With a breakdown by business:

- (i) the revenue from waste incineration solutions amounted to RMB567.97 million, representing an increase of 73.38% as compared with the corresponding period of the previous year, which was mainly due to the increase in numbers of waste power generation projects under construction and projects in operation.
- (ii) the revenue from solid and hazardous waste treatment amounted to RMB49.55 million, representing an increase of 68.23% as compared with the corresponding period of the previous year, which was mainly due to the commencement of operation of Xianyang Conch Venture Environment Engineering Co., Ltd. (咸陽海創環境工程有限公司) during the Reporting Period and the increase in composite prices as compared with the corresponding period of the previous year.
- (iii) the relatively larger extent in decrease in revenue from residual heat power generation as compared with the corresponding period of the previous year was attributable to the decrease in orders which was affected by the decrease in number of newly added cement projects in China.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) the increase of 110.31% in revenue from vertical mills as compared with the corresponding period of the previous year was mainly attributable to the increase in numbers of sales of vertical mills during the Reporting Period.
- (v) the increase of 74.01% in revenue from new building materials as compared with the corresponding period of the previous year was mainly attributable to the fact that the Group actively developed the market, which led to the increase in both sales volume and selling price as compared with the corresponding period of the previous year.

Breakdown of revenue from waste incineration solutions

Revenue breakdown	January – June 2017		January – June 2016		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB' 000)	Percentage (%)	Amount (RMB' 000)	Percentage (%)		
Construction revenue	509,277	89.67	282,345	86.19	80.37	3.48
Waste treatment by cement kilns	99,669	17.55	266,239	81.27	-62.56	-63.72
Waste power generation	409,608	72.12	16,106	4.92	2,443.20	67.20
Operation revenue	24,536	4.32	19,860	6.06	23.54	-1.74
Waste treatment by cement kilns	16,876	2.97	14,668	4.48	15.05	-1.51
Waste power generation	7,660	1.35	5,192	1.58	47.53	-0.23
Finance income	34,161	6.01	25,375	7.75	34.62	-1.74
Waste treatment by cement kilns	31,170	5.49	22,870	6.98	36.29	-1.49
Waste power generation	2,991	0.52	2,505	0.77	19.40	-0.25
Total	567,974	100.00	327,580	100.00	73.38	-

During the Reporting Period, the revenue from waste incineration solutions business during the construction period amounted to RMB509.28 million, representing an increase of 80.37% as compared with the corresponding period of the previous year, which was mainly due to the fact that the Group actively facilitated the construction progress of its projects, and projects in Shache County and Bole City, Xinjiang Province and Li County, Hunan Province have recognised their construction revenue. Operation revenue from waste incineration solutions business amounted to RMB24.54 million, representing an increase of 23.54% as compared with the corresponding period of the previous year, which was mainly due to the fact that projects in Yangchun and Ningguo were successively put into operation and waste power generating capacity in Jinzhai increased during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Revenue by geographical locations

Item	January – June 2017		January – June 2016		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
China	848,021	81.46	699,593	76.96	21.22	4.50
Asia (excluding China)	192,089	18.46	208,939	22.98	-8.06	-4.52
Africa	867	0.08	201	0.02	331.34	0.06
South America	-	-	325	0.04	-	-0.04
Total	1,040,977	100.00	909,058	100.00	14.51	-

During the Reporting Period, the Group's revenue derived from the China market recorded an increase of 21.22% as compared with the corresponding period of the previous year, with its proportion in total revenue increased by 4.5 percentage points, which was mainly due to the rapid increase in revenue from waste incineration solutions and vertical mills businesses. The revenue derived from overseas markets was RMB192.96 million, representing a decrease of 7.88% as compared with the corresponding period of the previous year, which was mainly due to the behind-schedule construction progress of certain overseas projects under the residual heat power generation business which affected the revenue recognition.

3. Gross profit and gross profit margin

Item	January – June 2017		January – June 2016		Change in amount (%)	Change in gross profit margin (percentage points)
	Gross profit (RMB' 000)	Gross profit margin (%)	Gross profit (RMB' 000)	Gross profit margin (%)		
Waste incineration solutions	215,972	38.02	167,130	51.02	29.22	-13.00
Solid and hazardous waste treatment	37,665	76.01	24,747	84.02	52.20	-8.01
Residual heat power generation	75,393	34.41	158,402	37.81	-52.40	-3.40
Vertical mills	24,126	24.49	10,548	22.52	128.73	1.97
New building materials	-2,633	-8.52	-7,084	-39.91	62.83	31.39
Port logistics	38,192	50.95	32,959	48.08	15.88	2.87
Total	388,715	37.34	386,702	42.54	0.52	-5.20

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the consolidated gross profit margin of the Group's products was 37.34%, representing a decrease of 5.20 percentage points as compared with the corresponding period of the previous year. With a breakdown by business, (i) the gross profit margin for waste incineration solutions was 38.02%, representing a decrease of 13.00 percentage points as compared with the corresponding period of the previous year, which was mainly due to the increase in proportion in total revenue and low gross profit of waste power generation during the construction period; (ii) the gross profit margin for solid and hazardous waste treatment was 76.01%, representing a decrease of 8.01 percentage points as compared with the corresponding period of the previous year, which was mainly due to the increase in transportation costs and depreciation; (iii) the gross profit margin for residual heat power generation recorded a decrease of 3.4 percentage points as compared with the corresponding period of the previous year, which was mainly due to the intense competition of residual heat power generation market; (iv) the new building materials business recorded a negative gross profit margin, among which, the gross profit margins of Anhui Conch Venture New Building Material Company and Bozhou Conch Venture New Building Material Company were 18.17% and -66.52% respectively, which was mainly due to the relatively high inventory costs at the early stage and low selling price.

4. Revenue and share of profit

Item	January – June 2017		January – June 2016		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Revenue	1,040,977	100.00	909,058	100.00	14.51	–
Other customers	762,040	73.20	694,527	76.40	9.72	–3.20
Conch Cement	278,937	26.80	214,531	23.60	30.02	3.20
Profit for the period	1,516,005	100.00	896,836	100.00	69.04	–
Share of profit of an associate	1,197,706	79.00	588,874	65.66	103.39	13.34
Profit attributable to operations	318,299	21.00	307,962	34.34	3.36	–13.34

During the Reporting Period, the Group's revenue from Conch Cement accounted for 26.80% of total revenue, representing an increase of 3.2 percentage points as compared with the corresponding period of the previous year. Share of profit of an associate accounted for 79.00%, representing an increase of 13.34 percentage points as compared with the corresponding period of the previous year, which was mainly due to the growth in profit in an associate, Conch Holdings.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Other income

During the Reporting Period, the Group's other income amounted to RMB106.17 million, representing an increase of RMB23.60 million, or 28.58% as compared with the corresponding period of the previous year, which was mainly due to the increase in government grants received as compared with the corresponding period of the previous year.

6. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB19.35 million, representing an increase of RMB9.24 million, or 91.36% as compared with the corresponding period of the previous year, which was mainly due to the increase in costs such as the Group's transportation costs and remuneration of employees.

7. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB64.84 million, representing an increase of RMB6.92 million, or 11.95% as compared with the corresponding period of the previous year, which was mainly due to the increase in costs such as staff remuneration and rental for office premises.

8. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB12.63 million, representing an increase of RMB0.20 million, or 1.6% as compared with the corresponding period of the previous year, which was mainly due to the increase in average balance of interest-bearing loans during the Reporting Period.

9. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB1,595.77 million, representing an increase of RMB618.08 million, or 63.22% as compared with the corresponding period of the previous year, which was mainly due to the growth in profit from its associate, Conch Holdings. During the Reporting Period, share of profit of an associate amounted to RMB1,197.71 million, representing an increase of 103.39% as compared with the corresponding period of the previous year. Profit before taxation from principal businesses amounted to RMB398.07 million, representing an increase of 2.38% as compared with the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL POSITION

As at 30 June 2017, the Group's total assets amounted to RMB21,676.37 million, representing an increase of RMB1,463.30 million as compared with the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB18,664.76 million, representing an increase of RMB917.44 million as compared with the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 11.10%, representing an increase of 1.87 percentage points as compared with the end of the previous year, which was mainly due to the provision for undistributed dividends payable during the Reporting Period. The balance sheet items of the Group were as follows:

Item	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Changes between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	1,057,201	1,029,576	2.68
Non-current assets	18,450,311	16,871,960	9.35
Current assets	3,226,058	3,341,113	-3.44
Current liabilities	2,203,620	1,331,216	65.53
Non-current liabilities	203,308	535,267	-62.02
Net current assets	1,022,438	2,009,897	-49.13
Equity attributable to equity shareholders of the Company	18,664,759	17,747,317	5.17
Total assets	21,676,369	20,213,073	7.24
Total liabilities	2,406,928	1,866,483	28.96

1. Non-current assets and non-current liabilities

As at 30 June 2017, the non-current assets of the Group amounted to RMB18,450.31 million, representing an increase of 9.35% as compared with the end of the previous year, which was mainly due to the increase in interests in an associate attributable to the Group and receivables for the construction work. The non-current liabilities of the Group amounted to RMB203.31 million, representing a decrease of 62.02% as compared with the end of the previous year, which was mainly due to the transfer of long-term loans of the Group into current liabilities due within one year during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Current assets and current liabilities

As at 30 June 2017, the current assets of the Group amounted to RMB3,226.06 million, representing a decrease of 3.44% as compared with the end of the previous year. The current liabilities of the Group amounted to RMB2,203.62 million, representing an increase of 65.53% as compared with the end of the previous year, which was mainly due to the provision for undistributed dividends payable in 2016 and the transfer of long-term loans into current liabilities due within one year. Current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) were 1.46 and 0.03, as compared with 2.51 and 0.03 at the end of the previous year respectively.

3. Net current assets

As at 30 June 2017, net current assets of the Group amounted to RMB1,022.44 million, representing a decrease of RMB987.46 million as compared with the end of the previous year, which was mainly due to the provision for undistributed dividends payable in 2016 and the transfer of long-term loans into current liabilities due within one year, which led to a decrease in current assets.

4. Equity attributable to equity shareholders of the Company

As at 30 June 2017, equity attributable to equity shareholders of the Group amounted to RMB18,664.76 million, representing an increase of 5.17% as compared with the end of the previous year, which was mainly due to the increase in interests in an associate attributable to the Group and profit before taxation from principal businesses.

(III) LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, the Group made good use of its own working capital and short-term and long-term bank loans to formulate a reasonable planning of capital use, so as to fully meet the Company's needs for daily operation and investment. Furthermore, by fully utilising the integration advantage of stock funds, the Group has been able to obtain capital benefits while reducing the cost of funds utilisation. As at 30 June 2017, the Group's cash and cash equivalents amounted to RMB2,019.45 million, with the main currencies being RMB, Hong Kong dollars and US dollars.

1. Bank loans and other loans

As at 30 June 2017, the balance of bank loans of the Group was as follows:

Item	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
Due within one year	368,392	59,833
Due after one year but within two years	157,733	485,833
Due after two years but within five years	15,999	31,499
Due after five years	29,576	17,935
Total	571,700	595,100

As at 30 June 2017, the balance of bank loans of the Group amounted to RMB571.70 million, representing a decrease of RMB23.4 million as compared with the end of the previous year, which was mainly due to the repayment of bank loans by the Group during the Reporting Period. As at 30 June 2017, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

2. The analysis of cash flows during the Reporting Period is as follows:

Item	January – June 2017 (RMB'000)	January – June 2016 (RMB'000)
Net cash generated from/(used in) operating activities	18,886	–42,275
Net cash used in investing activities	–78,291	–394,480
Net cash used in financing activities	–86,785	–3,440
Net decrease in cash and cash equivalents	–146,190	–440,195
Cash and cash equivalents at the beginning of the period	2,165,640	2,332,268
Cash and cash equivalents at the end of the period	2,019,450	1,892,073

(1) Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB18.89 million, representing an increase of RMB61.16 million as compared with the corresponding period of the previous year, which was mainly due to the increase in revenue of the Group and government grants received.

(2) Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB78.29 million, representing a decrease of RMB316.19 million as compared with the corresponding period of the previous year, which was mainly due to the RMB450 million structured deposit with a term of over three months in the previous year.

(3) Net cash used in financing activities

During the Reporting Period, net cash used in financing activities of the Group amounted to RMB86.79 million, representing an increase of RMB83.35 million as compared with the corresponding period of the previous year, which was mainly due to the repayments of bank loans by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

As at 30 June 2017, the Group's commitments for purchase in connection with construction contracts were as follows:

Item	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
Contracted for	557,320	566,772
Authorised but not contracted for	963,000	980,140
Total	1,520,320	1,546,912

(V) FOREIGN EXCHANGE RISK

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

The Group had not adopted any financial derivatives to hedge against any foreign exchange risks.

(VI) CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 30 June 2017, there was no pledge on the assets of the Group.

(VIII) MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

During the Reporting Period, neither the Company nor any of its relevant subsidiaries or associates had conducted any material investments, acquisitions or disposals.

MANAGEMENT DISCUSSION AND ANALYSIS

(IX) HUMAN RESOURCES

The Group has always highly valued the human resources management by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group organised professional and technical seminars and trainings relating to basic knowledge of grate furnace technology and disposal of solid and hazardous waste, special types of work and financial literacy. In addition, the Group has also continued to strengthen its team building through means such as internal training, social and campus recruitment.

As at 30 June 2017, the Group had approximately 1,526 employees. The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the six months ended 30 June 2017, the total remuneration of employees (including the remuneration of the directors) was approximately RMB57.73 million (for the same period of 2016: RMB41.18 million).

The Company adopted a share option scheme, details of which are set out in the section headed "Other Information — (V) Share Option Scheme", so that the Group may grant options to selected participants as incentives or rewards for their contributions to the Group. Since the listing of the Group, no share option had been granted under the share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

(X) USE OF PROCEEDS FROM LISTING

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

Out of the net proceeds, for the year ended 31 December 2016, the Company had utilised an aggregate amount of approximately RMB2,996.3 million of the net proceeds and the remaining net proceeds amounted to RMB122.6 million. During the Reporting Period, the Company further utilised approximately RMB80.8 million in the manner set out in the table below:

Usage	Utilised amount during the Reporting Period (RMB million)	Balance as at 30 June 2017 (RMB million)	Actual business progress as at 30 June 2017
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province	41.3	26.9	Establishment of production facilities of new building materials industry, procurement of raw materials and establishment of sales markets
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Bozhou, Anhui Province	21.6	–	Establishment of production facilities of new building materials industry, procurement of raw materials and establishment of sales markets
General corporate purposes	17.9	14.9	
Subtotal	80.8	41.8	

As at 30 June 2017, the Company utilised an aggregate of RMB3,077.1 million of the net proceeds. The remaining net proceeds amounted to RMB41.8 million. The remaining net proceeds were deposited in banks and recognised financial institutions in Hong Kong and China.

OTHER INFORMATION

(I) INTERIM DIVIDEND

The Board of the Company resolved not to declare any interim dividend for the six months ended 30 June 2017.

(II) DISCLOSURE OF INTERESTS**1. Directors' and Chief Executive's Interests and Short Positions**

As at 30 June 2017, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were set out below:

A. The Company

Name of Directors	Nature of interests	Number of shares (long positions)	Percentage shareholding (%)
Mr. Guo Jingbin	Interest of controlled corporation (note 1)	62,680,000	3.47
Mr. Ji Qinying	Interest of controlled corporation (note 2)	61,080,000	3.38
	Interest of spouse (note 2)	33,752	0.002
	Total	61,113,752	3.382
Mr. Li Jian	Beneficial owner	7,396,370	0.41
	Interest of spouse (note 3)	105,346	0.006
	Total	7,501,716	0.416
Mr. Li Daming	Beneficial owner	6,112,563	0.34

Notes:

- These shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.
- These shares are owned by Golden Convergence which is solely owned by Mr. Ji Qinying. As Ms. Yan Zi is the spouse of Mr. Ji, Mr. Ji is taken to be interested in the shares held by Ms. Yan.
- Mr. Li Jian is taken to be interested in the shares held by his spouse, Ms. Wang Zhenying.

OTHER INFORMATION

B. Associated Corporation of the Company

Name of Directors	Name of associated corporation	Number of shares (A shares) (long positions)	Percentage shareholding (%)	Nature of interests
Mr. Li Jian	Conch Cement	100,000	0.003	Beneficial owner
Mr. Li Daming	Conch Cement	130,000	0.003	Beneficial owner

2. Substantial Shareholders' Interests or Short Positions

As at 30 June 2017, there were no other persons other than the directors and chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

3. Interests and Short Positions of Senior Management

As at 30 June 2017, interests of the senior management of the Company were as follows:

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

Save as disclosed above, as at 30 June 2017, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(III) 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.

OTHER INFORMATION

(IV) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, details of changes in the Directors and senior management of the Company were as follows:

1. Ms. Zhang Mingjing has ceased to be the non-executive Director and member of the Remuneration and Nomination Committee of the Company with effect from 28 June 2017.
2. Mr. Shu Mao has met the qualification requirements of a company secretary under Rule 3.28 of the Listing Rules and acts as the company secretary of the Company with effect from 13 April 2017. Ms. Ng Sin Yee, Clare has resigned as the joint company secretary of the Company on the same day.

(V) SHARE OPTION SCHEME

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

Since the listing of the Company, no share option had been granted under the Share Option Scheme.

(VI) CORPORATE GOVERNANCE

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

The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Listing Rules of the Stock Exchange as the corporate governance code of the Company. The Board has confirmed that, during the Reporting Period, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, 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 of the Company.

The Company regularly reviews and improves its corporate governance practices in order to be continuously in compliance with the Corporate Governance Code.

OTHER INFORMATION

(VII) MODEL CODE FOR SECURITIES TRANSACTIONS

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) (the “Securities Dealing Code”) on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries by the Company, all Directors confirmed that they complied with the Model Code and the Securities Dealing Code during the Reporting Period.

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

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

(VIII) AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee and review the risk management system and internal control system of the Company. The “Terms of Reference of the Audit Committee of the Board of Directors” of the Company clearly defines the duties and rules of the committee.

The Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2017. The Audit Committee has no disagreement with the accounting treatment methods adopted by the Company.

OTHER INFORMATION

(IX) REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises Mr. Ji Qinying, executive Director and chief executive officer, and Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, independent non-executive Directors. The primary duties of the Remuneration and Nomination Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, make recommendations to the Board on the remuneration packages for each of the executive Directors and senior management, review performance based remuneration and ensure none of the Directors participate in deciding their own remuneration, and review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually. The “Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors” of the Company clearly defines the duties and rules of the committee.

The Remuneration and Nomination Committee of the Company has formulated a board diversity policy which sets out the approach to achieve diversity of the Board.

(X) EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Neither the Company nor the Group had any material events subsequent to the Reporting Period after 30 June 2017 and up to the date of this interim report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	3	1,040,977	909,058
Cost of sales		(652,262)	(522,356)
Gross profit		388,715	386,702
Other income	4	106,166	82,570
Distribution costs		(19,345)	(10,109)
Administrative expenses		(64,837)	(57,915)
Profit from operations		410,699	401,248
Finance costs	5(a)	(12,633)	(12,434)
Share of profit of an associate	11	1,197,706	588,874
Profit before taxation	5	1,595,772	977,688
Income tax	6	(79,767)	(80,852)
Profit for the period		1,516,005	896,836
Attributable to:			
— Equity shareholders of the Company		1,441,449	822,582
— Non-controlling interests		74,556	74,254
Profit for the period		1,516,005	896,836
Earnings per share			
— Basic and diluted (RMB)	8	0.80	0.46

The notes on pages 38 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Profit for the period		1,516,005	896,836
Other comprehensive income for the period (after tax and reclassification adjustments)	7		
Items that may be reclassified subsequently to profit or loss:			
Share of changes of reserves of an associate, net of tax		(53,240)	(9,440)
Other comprehensive income for the period		(53,240)	(9,440)
Total comprehensive income for the period		1,462,765	887,396
Attributable to:			
Equity shareholders of the Company		1,388,209	813,142
Non-controlling interests		74,556	74,254
Total comprehensive income for the period		1,462,765	887,396

The notes on pages 38 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	9	1,057,201	1,029,576
Lease prepayments		201,508	203,524
Intangible assets	10	431,429	279,198
Interest in an associate	11	14,917,659	13,773,335
Non-current portion of trade and other receivables	13	1,779,398	1,519,694
Deferred tax assets		63,116	66,633
		18,450,311	16,871,960
Current assets			
Inventories	12	122,879	164,064
Trade and other receivables	13	1,053,234	993,234
Restricted bank deposits		30,495	18,175
Cash and cash equivalents	14	2,019,450	2,165,640
		3,226,058	3,341,113
Current liabilities			
Loans and borrowings	15	368,392	59,833
Trade and other payables	16	1,791,049	1,214,530
Income tax payables		44,179	56,853
		2,203,620	1,331,216
Net current assets		1,022,438	2,009,897
Total assets less current liabilities		19,472,749	18,881,857

The notes on pages 38 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Loans and borrowings	15	203,308	535,267
Net assets		19,269,441	18,346,590
Capital and reserves	17		
Share capital		14,347	14,347
Reserves		18,650,412	17,732,970
Equity attributable to equity shareholders of the Company		18,664,759	17,747,317
Non-controlling interests		604,682	599,273
Total equity		19,269,441	18,346,590

The notes on pages 38 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total			
	RMB'000 (Note 17 (b))	RMB'000 (Note 17 (c)(i))	RMB'000 (Note 17 (c)(ii))	RMB'000 (Note 17 (c)(iii))	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2016	14,347	2,212,855	2,060,913	396,887	11,573,444	16,258,446	490,948	16,749,394	
Changes in equity for the six months ended 30 June 2016:									
Profit for the period	-	-	-	-	822,582	822,582	74,254	896,836	
Other comprehensive income	7	-	(9,440)	-	-	(9,440)	-	(9,440)	
Total comprehensive income	-	-	(9,440)	-	822,582	813,142	74,254	887,396	
Non-controlling interests arising from acquisition of a subsidiary							62,666	62,666	
Appropriation to reserves	17(c)(iii)	-	-	45,126	(45,126)	-	-	-	
Dividends approved in respect of the previous year	17(a)	(467,374)	-	-	-	(467,374)	-	(467,374)	
Profit distribution to non-controlling interests		-	-	-	-	-	(101,164)	(101,164)	
Balance at 30 June 2016 and 1 July 2016	14,347	1,745,481	2,051,473	442,013	12,350,900	16,604,214	526,704	17,130,918	
Changes in equity for the six months ended 31 December 2016:									
Profit for the period		-	-	-	1,158,030	1,158,030	72,569	1,230,599	
Other comprehensive income	7	-	(14,927)	-	-	(14,927)	-	(14,927)	
Total comprehensive income	-	-	(14,927)	-	1,158,030	1,143,103	72,569	1,215,672	
Appropriation to reserves	17(c)(iii)	-	-	17,095	(17,095)	-	-	-	
Balance at 31 December 2016	14,347	1,745,481	2,036,546	459,108	13,491,835	17,747,317	599,273	18,346,590	

The notes on pages 38 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
		PRC					Non-	Total	
		Share	Share	Capital	statutory	Retained	controlling	equity	
		Capital	premium	reserve	reserves	earnings	Sub-total	interests	
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 17 (b))	(Note 17 (c)(i))	(Note 17 (c)(ii))	(Note 17 (c)(iii))				
	Balance at 1 January 2017	14,347	1,745,481	2,036,546	459,108	13,491,835	17,747,317	599,273	18,346,590
	Changes in equity for the six months ended 30 June 2017:								
	Profit for the period	-	-	-	-	1,441,449	1,441,449	74,556	1,516,005
	Other comprehensive income	-	-	(53,240)	-	-	(53,240)	-	(53,240)
	Total comprehensive income	-	-	(53,240)	-	1,441,449	1,388,209	74,556	1,462,765
	Disposal of investment in a subsidiary without losing control	-	-	605	-	-	605	(605)	-
	Appropriation to reserves	-	-	-	28,812	(28,812)	-	-	-
	Dividends approved in respect of the previous year	-	(471,372)	-	-	-	(471,372)	-	(471,372)
	Profit distribution to non-controlling interests	-	-	-	-	-	-	(68,542)	(68,542)
	Balance at 30 June 2017	14,347	1,274,109	1,983,911	487,920	14,904,472	18,664,759	604,682	19,269,441

The notes on pages 38 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Operating activities:		
Cash generated from operations	107,810	38,720
Income tax paid	(88,924)	(80,995)
Net cash generated from/(used in) operating activities	18,886	(42,275)
Investing activities:		
Payment for purchase of property, plant and equipment, construction in progress and intangible assets	(111,661)	(33,333)
Cash received from acquisition of a subsidiary	–	40,097
Payment for bank deposits with maturity over three months	–	(450,000)
Other cash flows arising from investing activities	33,370	48,756
Net cash used in investing activities	(78,291)	(394,480)
Financing activities:		
Profit distribution and paid to non-controlling interests	(50,832)	(101,164)
Proceeds from loans and borrowings	30,000	111,100
Repayment of loans	(53,400)	(31,000)
Other cash flows arising from financing activities	(12,553)	17,624
Net cash used in financing activities	(86,785)	(3,440)
Net decrease in cash and cash equivalents	(146,190)	(440,195)
Cash and cash equivalents at 1 January	2,165,640	2,332,268
Cash and cash equivalents at 30 June	2,019,450	1,892,073

The notes on pages 38 to 60 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

These unaudited consolidated financial statements of China Conch Venture Holdings Limited (the "Company") and its subsidiaries (the "Group") have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 24 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of interim financial report is in conformity with IAS 34 requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

2 CHANGE IN ACCOUNTING POLICIES

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Energy preservation and environmental protection solutions		
Residual heat power generation	219,097	418,889
Vertical mill	98,499	46,836
Waste incineration solutions(i)	567,974	327,580
Solid waste and hazardous waste solutions	49,551	29,455
Subtotal	935,121	822,760
Port logistics services	74,967	68,547
Sale of new building materials	30,889	17,751
Total	1,040,977	909,058

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue from waste incineration project construction services	509,277	282,345
Revenue from waste incineration project operation services	24,536	19,860
Finance income	34,161	25,375
Total	567,974	327,580

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

- (i) 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.

The measure used for reporting segment profit 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 period ended 30 June 2017 and 2016 is set out below:

	Six months ended 30 June 2017 (Unaudited)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	935,121	74,967	30,889	-	-	1,040,977
Reportable segment profit/ (loss) before taxation	380,767	25,230	(7,455)	1,197,706	(476)	1,595,772
Interest income	28,824	152	3,555	-	215	32,746
Interest expenses	10,917	1,716	-	-	-	12,633
Depreciation and amortisation	11,949	21,336	7,599	-	-	40,884
Reversal of impairment losses on trade receivables	(12,151)	-	-	-	-	(12,151)
Reportable segment assets	5,474,870	539,497	671,644	14,917,659	72,699	21,676,369
Reportable segment liabilities	1,778,681	104,996	51,795	-	471,456	2,406,928

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Six months ended 30 June 2016 (Unaudited)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	822,760	68,547	17,751	-	-	909,058
Reportable segment profit/(loss) before taxation	378,909	21,305	(11,812)	588,874	412	977,688
Interest income	20,608	59	16,378	-	1,528	38,573
Interest expenses	10,705	1,729	-	-	-	12,434
Depreciation and amortisation	9,271	21,330	7,178	-	-	37,779
Provision for impairment losses on trade receivables	70	-	-	-	-	70

	Year ended 31 December 2016					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment assets	4,701,052	574,638	1,146,242	13,773,335	17,806	20,213,073
Reportable segment liabilities	1,668,383	107,374	90,580	-	146	1,866,483

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(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.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue		
Mainland China	848,021	699,593
Asia (except Mainland China)	192,089	208,939
South America	–	325
Africa	867	201
	1,040,977	909,058

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

4 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest income	32,746	38,573
Government grants	72,551	39,877
Net gain on disposal of property, plant and equipment	–	154
Net gain on acquisition of a subsidiary	–	3,999
Exchange gain/(loss)	869	(33)
	106,166	82,570

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(a) Finance costs:		
Interest on loans and borrowings	12,633	12,434
(b) Other items:		
Depreciation	36,799	33,773
Amortisation of lease prepayments	2,375	2,290
Amortisation of intangible assets	1,710	1,716
Research and development costs	6,447	9,323
(Reversal of)/impairment losses on trade receivables	(12,151)	70
Staff costs	57,725	41,184

6 INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	76,250	80,008
Deferred tax:		
Origination and reversal of temporary differences	3,517	844
	79,767	80,852

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX *(Continued)*

- (c) 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. ("YP Environment") 玉屏海創環境工程有限責任公司 (iii)	15%
Xishui Conch Venture Environment Engineering Co., Ltd. ("XS Environment") 習水海創環境工程有限責任公司 (iii)	15%
Shuicheng Conch Venture Environment Engineering Co., Ltd. 水城海創環境工程有限責任公司 (iii)	15%
Baoshan Conch Venture Environment Engineering Co., Ltd. 保山海創環境工程有限責任公司 (iii)	15%
Lingyun Conch Venture Environment Engineering Co., Ltd. 凌雲海創環境工程有限責任公司 (iii)	15%
Guiyang Conch Venture Environment Engineering Co., Ltd. 貴陽海創環境工程有限責任公司 (iii)	15%
Fusui Conch Venture Environment Engineering Co., Ltd. 扶綏海創環境工程有限責任公司 (iii)	15%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX *(Continued)*

(c) *(Continued)*

- (i) The English translation of the names is for reference only. The official names of these entities are in Chinese.
- (ii) CK Equipment was accredited as a “High and New Technology Enterprise” (“HNTE”) and was entitled to a preferential income tax rate of 15% for a period of three years from 2014 to 2016. CK Equipment was in the process of renewing the accreditation as at the date of this report. Management considers that it is possible that CK Equipment will obtain the renewed HNTE accreditation before the end of 2017, therefore, an income tax rate of 15% was applied for the six months ended 30 June 2017.
- (iii) Pursuant to Notice No.4 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. These companies have obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2017.
- (d) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the People’s Republic of China, certain subsidiaries engaged in waste incineration and solid waste disposal are eligible for a preferential tax treatment of income tax exemption for the first three years starting from which revenue is generated and 50% income tax reduction for the next three years.

7 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Share of changes of reserves of an associate, net of tax (i)	(53,240)	(9,440)
Net movement during the period recognised in other comprehensive income	(53,240)	(9,440)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

8 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 for the six months ended 30 June 2017 of RMB1,441,449,000 (six months ended 30 June 2016: RMB822,582,000) and 1,804,750,000 (six months ended 30 June 2016: 1,804,750,000) ordinary shares in issue during the six months ended 30 June 2017.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2017 and 2016.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of plant and machine with a cost of RMB64,424,000 (six months ended 30 June 2016: RMB62,414,000). Items of plant and machine with a net book value of RMB24,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB418,000), resulting in a gain on disposal of Nil (six months ended 30 June 2016: RMB154,000).

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for plant and buildings. The aggregate carrying amount of such plant and buildings of the Group as at 30 June 2017 was approximately RMB97,092,000 (31 December 2016: RMB98,835,000). The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

10 INTANGIBLE ASSETS

Intangible assets consist of software, waste incineration project operating rights. The cost of waste incineration project operating rights represented the fair value of operating rights acquired. During the six months ended 30 June 2017, additions of software and waste incineration project operating rights made by the Group amounted to RMB153,940,000 (six months ended 30 June 2016: RMB6,649,000). The operating rights were deemed to be definite life intangible assets and the operation periods of the BOT arrangement vary from 26–30 years.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

11 INTEREST IN AN ASSOCIATE

As at 30 June 2017, interest in an associate represented share of net assets of the associate Anhui Conch Holdings Co., Ltd. ("Conch Holdings"). For the six months period ended 30 June 2017, the Group recognised share of profit of an associate in the amount of RMB1,197,706,000 in the consolidated statement of profit or loss (six months ended 30 June 2016: RMB588,874,000).

12 INVENTORIES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	52,469	55,834
Work in progress	33,488	36,600
Finished goods	36,922	71,630
	122,879	164,064

During the six months ended 30 June 2017, no write-down of inventory was provided by the Group (2016: RMB6,266,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables	686,997	629,027
Bills receivable	94,747	117,527
Less: allowance for doubtful debts	(101,206)	(113,357)
Trade and bills receivables	680,538	633,197
Gross amounts due from customers for construction contract work	38,920	50,462
Deposits and prepayments	114,473	92,298
Other receivables	91,770	50,206
Interest receivables	3,316	4,299
Amounts due from third parties	929,017	830,462
Amounts due from related parties (Note 19(b))	124,217	162,772
Current portion of trade and other receivables	1,053,234	993,234
Non-current portion of gross amounts due from customers for construction contract work	1,620,193	1,378,572
Other receivables to be recovered after one year	159,205	141,122
Non-current portion of trade and other receivables	1,779,398	1,519,694
Total current and non-current trade and other receivables	2,832,632	2,512,928

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	446,114	419,817
After 1 year but within 2 years	105,659	71,712
After 2 years but within 3 years	71,849	101,001
After 3 years but within 5 years	56,916	40,667
	680,538	633,197

The amounts due from related parties are all aged within 1 year.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES *(Continued)*

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

(i) Construction contracts

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the non-current gross amount due from customers for contract work at 30 June 2017 is RMB357,950,000 (31 December 2016: RMB357,950,000). The gross amounts due from customers from contract work are expected to be recovered upon contract term.

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	357,950	357,950
Less: Progress billings	(326,666)	(292,364)
Net contract work	31,284	65,586
Representing:		
Gross amounts due from customers for contract work		
— Non-current	5,511	27,334
— Current	25,773	38,252
	31,284	65,586

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES *(Continued)*

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

(ii) BOT arrangement

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the non-current gross amount due from customers for contract work in relation to BOT arrangements was RMB1,642,628,000 at 30 June 2017 (31 December 2016: RMB1,373,353,000). The amounts for BOT arrangements are settled by revenue to be generated during the operating periods of the arrangements.

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	1,642,682	1,373,353
Less: Progress billings	(14,853)	(9,905)
Net contract work in relation to BOT arrangements	1,627,829	1,363,448
Representing:		
Gross amounts due from customers for contract work in relation to BOT arrangements		
— Non-current	1,614,682	1,351,238
— Current	13,147	12,210
	1,627,829	1,363,448

“Gross amounts due from customers for contract work in relation to BOT arrangements” mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates of ranging primarily from 6.94% to 9.41% per annum for the six months ended 30 June 2017 (2016: 6.94% to 9.41%). Among the total of RMB1,627,829,000 (31 December 2016: RMB1,363,448,000), RMB1,024,105,000 (31 December 2016: RMB878,472,000) relates to BOT arrangements with operation commenced. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

14 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank deposits with maturity within three months	1,500,699	1,692,001
Cash at bank and in hand	518,751	473,639
	2,019,450	2,165,640

15 LOANS AND BORROWINGS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current		
Bank loans	367,725	59,500
Other loans	667	333
	368,392	59,833
Non-current		
Bank loans	200,975	532,600
Other loans	2,333	2,667
	203,308	535,267
Total	571,700	595,100

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

15 LOANS AND BORROWINGS *(Continued)*

As at 30 June 2017, the loans and borrowings were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within one year	368,392	59,833
After one year but within two years	157,733	485,833
After two years but within five years	15,999	31,499
After five years	29,576	17,935
Total	571,700	595,100

As at 30 June 2017, the loans and borrowings were secured as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Guaranteed	61,700	64,100
Unsecured	510,000	531,000
Total	571,700	595,100

As at 30 June 2017, bank loans of the Group amounting to RMB61,700,000 (31 December 2016: RMB64,100,000) were jointly guaranteed by WH Investment, a subsidiary of the Group, and the non-controlling shareholders of XS Environment and YP Environment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables	838,652	781,891
Bills payable	193,072	92,133
	1,031,724	874,024
Receipts in advance	40,342	32,401
Other payables and accruals	159,908	169,748
Amounts due to third parties	1,231,974	1,076,173
Dividends payable to equity shareholders of the Company (Note 17(a))	471,372	–
Dividends payable to non-controlling interests	17,710	–
Amounts due to related parties (Note 19(b))	69,993	138,357
Trade and other payables	1,791,049	1,214,530

An ageing analysis of trade and bills payables of the Group based on invoice date, is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	948,719	836,666
1 year to 2 years	73,231	31,602
2 years to 3 years	6,067	2,922
After 3 years	3,707	2,834
	1,031,724	874,024

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividend payable to equity shareholders attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of HKD0.3 per share (six months ended 30 June 2016: HKD0.3 per share)	471,372	467,374

Pursuant to a resolution passed at the annual general meeting on 28 June 2017, a final dividend in respect of the previous financial year of HKD0.3 per share totaling HKD541,425,000 (equivalent to approximately RMB471,372,000) (2016: RMB467,374,000) was approved, which was paid in July 2017.

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

(b) Share capital

Authorised and issued share capital

	No. of shares	Amount
	('000)	HKD'000
Authorised:		
Ordinary shares of HKD0.01 each at 30 June 2017 and 31 December 2016	15,000,000	150,000

	No. of shares	Amount	
		('000)	Equivalent to
		HKD'000	RMB'000
Issued and fully paid:			
At 30 June 2017 and 31 December 2016	1,804,750	18,048	14,347

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium and distributability of reserves

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

(ii) Capital reserves

Capital reserves as at 31 December 2016 and 30 June 2017 represent the share of non-distributable reserves of an associate at the respective dates.

(iii) PRC statutory reserves

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

18 COMMITMENTS

- (a) Purchase commitments outstanding related to BOT construction contracts and capital commitments at 30 June 2017 not provided for in the interim financial report were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for	557,320	566,772
Authorised but not contracted for	963,000	980,140
	1,520,320	1,546,912

- (b) As at 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within one year	8,942	6,538
After 1 year but within 2 years	4,665	4,971
Above 2 years	4,500	–
	18,107	11,509

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party (i)	Relationship
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式會社	Investor of Anhui Conch Kawasaki Engineering Co., Ltd. and CK Equipment
Conch Cement 安徽海螺水泥股份有限公司	Associate of Conch Holdings
Conch Profiles 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Conch Holdings 安徽海螺集團有限責任公司	Associate of the Company
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI

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

(a) Significant related party transactions

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of goods		
Conch Cement	214,633	209,016
Kawasaki HI	15,031	7,149
CKEM	121	377
Conch Design Institute	29,970	15,985
Conch Profiles	-	79
	259,755	232,606

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Service rendered		
Conch Cement	64,304	5,515
Conch Design Institute	755	–
CKEM	183	317
	65,242	5,832
	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Purchase of goods		
Conch Cement	6,174	4,526
Conch IT Engineering	5,939	9,866
Kawasaki HI	2,213	–
CKEM	351	610
Conch Profiles	1,340	2
Conch Design Institute	2,532	–
	18,549	15,004
	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Services received		
Conch Cement	9,880	9,497
Conch Design Institute	9,486	2,575
Conch IT Engineering	245	1,205
Kawasaki HI	2,233	2,985
CKEM	–	459
	21,844	16,721

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due from		
Conch Cement	92,324	111,820
CKEM	315	545
Kawasaki HI	7,073	24,096
Conch Design Institute	24,505	26,311
	124,217	162,772

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due to		
Conch Cement	42,892	101,027
Kawasaki HI	7,558	6,483
Conch IT Engineering	8,303	7,358
CKEM	6,474	5,093
Conch Design Institute	1,804	14,764
Conch Profiles	–	670
Conch Holdings	2,962	2,962
	69,993	138,357