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## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

#### **HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 June 2016 amounted to approximately RMB909.06 million, representing a decrease of 4.35% as compared with the corresponding period of the previous year.
- Net profit attributable to equity shareholders of the Group for the six months ended 30 June 2016 amounted to approximately RMB822.58 million, representing a decrease of 26.71% as compared with the corresponding period of the previous year; and net profit of our principal activities attributable to equity shareholders of the Group (excluding share of profit of an associate) amounted to RMB233.71 million, representing an increase of 5.16% as compared with the corresponding period of the previous year.
- Basic earnings per share for the six months ended 30 June 2016 amounted to RMB0.46.
- The Board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2016.

The board of directors (the “**Board**”) of China Conch Venture Holdings Limited (the “**Company**”) hereby presents the unaudited results of operation and financial position for the six months ended 30 June 2016 (the “**Reporting Period**”) of the Company and its subsidiaries (the “**Group**”).

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 have been approved by the Board and reviewed by the audit committee of the Board (the “**Audit Committee**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2016 — unaudited**(Expressed in Renminbi Yuan)*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	3	<b>909,058</b>	950,418
Cost of sales		<b>(522,356)</b>	(592,098)
<b>Gross profit</b>		<b>386,702</b>	358,320
Other revenue	4	<b>78,450</b>	108,231
Other net income		<b>4,120</b>	920
Distribution costs		<b>(10,109)</b>	(16,578)
Administrative expenses		<b>(57,915)</b>	(70,477)
<b>Profit from operations</b>		<b>401,248</b>	380,416
Finance costs	5(a)	<b>(12,434)</b>	(22,330)
Share of profit of an associate	8	<b>588,874</b>	900,069
<b>Profit before taxation</b>	5	<b>977,688</b>	1,258,155
Income tax	6	<b>(80,852)</b>	(85,099)
<b>Profit for the period</b>		<b>896,836</b>	1,173,056
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>822,582</b>	1,122,302
Non-controlling interests		<b>74,254</b>	50,754
<b>Profit for the period</b>		<b>896,836</b>	1,173,056
<b>Earnings per share</b>			
Basic and diluted (RMB)	7	<b>0.46</b>	0.62

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

*For the six months ended 30 June 2016 — unaudited*

*(Expressed in Renminbi Yuan)*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>896,836</b>	<b>1,173,056</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
Items that may be reclassified subsequently to profit or loss:		
Share of changes of reserves of an associate, net of tax	<u>(9,440)</u>	<u>54,819</u>
	<u>(9,440)</u>	<u>54,819</u>
<b>Total comprehensive income for the period</b>	<b><u>887,396</u></b>	<b><u>1,227,875</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>813,142</b>	<b>1,177,121</b>
Non-controlling interests	<b><u>74,254</u></b>	<b><u>50,754</u></b>
<b>Total comprehensive income for the period</b>	<b><u>887,396</u></b>	<b><u>1,227,875</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 — unaudited

(Expressed in Renminbi Yuan)

		At 30 June 2016	At 31 December 2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		1,026,374	998,151
Lease prepayments		201,801	204,091
Intangible assets		88,956	84,023
Interest in an associate	8	13,232,464	12,655,775
Non-current portion of trade and other receivables	9	1,016,558	790,870
Non-current prepayments		–	45,000
Deferred tax assets		64,505	65,349
		<u>15,630,658</u>	<u>14,843,259</u>
<b>Current assets</b>			
Inventories		190,655	246,116
Trade and other receivables	9	1,107,298	1,076,321
Restricted bank deposits		13,435	1,745
Bank deposits with maturity over three months		450,000	–
Cash and cash equivalents		1,892,073	2,332,268
		<u>3,653,461</u>	<u>3,656,450</u>
<b>Current liabilities</b>			
Loans and borrowings		74,783	50,000
Trade and other payables	10	1,495,939	1,172,166
Income tax payables		47,162	48,149
		<u>1,617,884</u>	<u>1,270,315</u>
<b>Net current assets</b>		<u>2,035,577</u>	<u>2,386,135</u>
<b>Total assets less current liabilities</b>		<u>17,666,235</u>	<u>17,229,394</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 30 June 2016 — unaudited**(Expressed in Renminbi Yuan)*

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
<b>Non-current liabilities</b>		
Loans and borrowings	<u>535,317</u>	<u>480,000</u>
<b>Net assets</b>	<u>17,130,918</u>	<u>16,749,394</u>
<b>Capital and reserves</b>		
Share capital	14,347	14,347
Reserves	<u>16,589,867</u>	<u>16,244,099</u>
<b>Equity attributable to equity shareholders of the Company</b>	<b>16,604,214</b>	16,258,446
<b>Non-controlling interests</b>	<u>526,704</u>	<u>490,948</u>
<b>Total equity</b>	<u>17,130,918</u>	<u>16,749,394</u>

## 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 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012–2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statement: Disclosure initiative*

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

#### **Annual Improvements to IFRSs 2012–2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group’s interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

## Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

### 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	
	2016 RMB'000	2015 RMB'000
<b>Energy preservation and environmental protection solutions</b>		
Residual heat power generation	418,889	377,095
Vertical mill	46,836	87,133
Waste incineration (i)	357,035	406,373
Subtotal	822,760	870,601
<b>Port logistics services</b>	68,547	72,790
<b>Sale of new building materials</b>	17,751	7,027
Total	909,058	950,418

- (i) Revenue of waste incineration solutions represents the revenue for construction services under Build-Operate-Transfer (“BOT”) and Build-Transfer 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	
	2016 RMB'000	2015 RMB'000
Revenue from waste incineration project construction services	282,345	399,934
Revenue from waste incineration project operation services	49,315	3,084
Finance income	25,375	3,355
Total	357,035	406,373

**(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 2016 and 2015 is set out below:

Six months ended 30 June 2016 (Unaudited)						
	Energy preservation and environmental protection solutions <i>RMB'000</i>	Port logistics services <i>RMB'000</i>	New building materials <i>RMB'000</i>	Investments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	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 and trade receivables	70	-	-	-	-	70
Reportable segment assets	3,784,735	623,008	1,511,466	13,232,464	132,446	19,284,119
Reportable segment liabilities	1,504,954	103,537	77,251	-	467,459	2,153,201
Six months ended 30 June 2015 (Unaudited)						
	Energy preservation and environmental protection solutions <i>RMB'000</i>	Port logistics services <i>RMB'000</i>	New building materials <i>RMB'000</i>	Investments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	870,601	72,790	7,027	-	-	950,418
Reportable segment profit/(loss) before taxation	287,724	24,034	50,293	900,069	(3,965)	1,258,155
Interest income	21,309	38	39,583	-	227	61,157
Interest expenses	5,072	2,656	13,262	-	1,340	22,330
Depreciation and amortisation	7,269	20,846	6,475	-	-	34,590
Provision for impairment losses on trade receivables	8,205	-	-	-	-	8,205



	Energy preservation and environmental protection solutions <i>RMB'000</i>	Port logistics services <i>RMB'000</i>	New building materials <i>RMB'000</i>	Investments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	3,584,694	637,457	1,580,130	12,655,775	41,653	18,499,709
Reportable segment liabilities	1,543,044	123,862	83,324	–	85	1,750,315

(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	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>Revenue</b>		
Mainland China	<b>699,593</b>	645,898
Asia (excluding Mainland China)	<b>208,939</b>	303,317
South America	<b>325</b>	1,203
Africa	<b>201</b>	–
	<b>909,058</b>	950,418

During the period, 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 REVENUE**

	Six months ended 30 June	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income	<b>38,573</b>	61,157
Government grants	<b>39,877</b>	47,074
	<b>78,450</b>	108,231

## 5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>(a) Finance costs:</b>		
Interest on loans and borrowings	12,434	22,407
Less: interest expense capitalised into construction in progress	—	(77)
	<u>12,434</u>	<u>22,330</u>
<b>(b) Other items:</b>		
Depreciation	33,773	32,222
Amortisation of lease prepayments	2,290	2,202
Amortisation of intangible assets	1,716	166
Research and development costs	9,323	8,758
Impairment losses on trade receivables	70	8,205
Staff costs	41,184	38,790
	<u>41,184</u>	<u>38,790</u>

## 6 INCOME TAX

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Current tax:</b>		
Provision for PRC income tax for the period	80,008	89,054
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	844	(3,955)
	<u>80,852</u>	<u>85,099</u>

- (i) 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.
- (ii) 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.
- (iii) 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. One of the subsidiaries, Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd (“CK Equipment”) was accredited as a “High and New Technology Enterprise” (“HNTE”) in 2008 and was entitled to a preferential income tax rate of 15% for a period of three years from 2008 to 2010. CK Equipment subsequently renewed its HNTE qualification in 2011 and 2014, and is currently entitled to the preferential tax rate of 15% from 2014 to 2016.

- (iv) 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 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 2016 of RMB822,582,000 (six months ended 30 June 2015: RMB1,122,302,000) and 1,804,750,000 (six months ended 30 June 2015: 1,804,750,000) ordinary shares in issue during the six months ended 30 June 2016.

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016 and 2015.

## 8 INTEREST IN AN ASSOCIATE

As at 30 June 2016, 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 2016, the Group recognised share of profit of an associate in the amount of RMB588,874,000 in the consolidated statement of profit or loss (six months ended 30 June 2015: RMB900,069,000).

## 9 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables	702,745	605,842
Bills receivable	63,550	102,129
Less: allowance for doubtful debts	(108,779)	(108,709)
	<hr/>	<hr/>
Trade and bills receivables	657,516	599,262
Gross amounts due from customers for construction contract work	66,894	79,750
Deposits and prepayments	44,159	74,494
Other receivables	139,759	134,507
Interest receivables	5,370	14,980
	<hr/>	<hr/>
Amounts due from third parties	913,698	902,993
Amounts due from related parties	193,600	173,328
	<hr/>	<hr/>
Current portion of trade and other receivables	1,107,298	1,076,321
Non-current portion of gross amounts due from customers for construction contract work	1,016,558	790,870
	<hr/>	<hr/>
Total current and non-current trade and other receivables	<u>2,123,856</u>	<u>1,867,191</u>

As of the end of the reporting periods, the ageing analysis of trade receivables, bills receivable and amounts due from related parties, based on the invoice date and net of allowance for doubtful debts, is as follow:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within 1 year	551,645	503,723
After 1 year but within 2 years	192,937	192,707
After 2 years but within 3 years	87,768	66,964
After 3 years but within 5 years	18,766	9,196
	<u>851,116</u>	<u>772,590</u>

Except for the non-current portion of gross amounts due from customers for construction contract work, 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.

## 10 TRADE AND OTHER PAYABLES

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Trade payables	604,300	669,972
Bills payable	156,020	177,965
	<u>760,320</u>	847,937
Receipts in advance	47,973	24,863
Other payables and accruals	104,144	152,286
	<u>912,437</u>	1,025,086
Amounts due to third parties	912,437	1,025,086
Dividends payable	467,374	–
Amounts due to related parties	116,128	147,080
	<u>1,495,939</u>	<u>1,172,166</u>

An ageing analysis of trade and bills payables and amount due to related parties of the Group is as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within 1 year	829,722	943,878
1 year to 2 years	39,943	48,188
2 years to 3 years	4,432	2,951
After 3 years	2,351	–
	<u>876,448</u>	<u>995,017</u>

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

## 11 DIVIDENDS

Pursuant to a resolution passed at the annual general meeting held on 21 June 2016, a final dividend in respect of the previous financial year of HKD0.3 per share totaling HKD541,425,000 (equivalent to approximately RMB467,374,000) was approved (2015: RMB577,204,000), the dividend has not been paid during the six months ended 30 June 2016 (the six months ended 30 June 2015: RMB562,971,000).

The board of directors has resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 12 ACQUISITION OF A SUBSIDIARY

On 1 January 2016, the Group acquired 60% of equity interests of Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. (“**Yaobai Environmental**”) with the consideration of RMB90,000,000 through capital injection, in order to develop a business line for the treatment of hazardous and solid waste.

The fair value of the identifiable assets and liabilities of Yaobai Environmental as at the date of acquisition was as below:

	<b>At 1 January 2016 Fair value recognised on acquisition RMB'000</b>
Property, plant and equipment	39,607
Trade and other receivables	79,849
Cash and cash equivalents	40,097
Trade and other payables	<u>(2,888)</u>
Total identifiable net assets	156,665
Less: non-controlling interests, based on their proportionate interest in the total identifiable net assets acquired	<u>(62,666)</u>
Total identifiable net assets acquired by the Group	93,999
Total cash consideration through capital injection	<u>(90,000)</u>
Net gain from acquisition of a subsidiary	<u><u>3,999</u></u>

The net gain from acquisition of a subsidiary represents the excess of the net fair value of the acquiree's identifiable net assets as at the acquisition date over the fair value of the consideration to be transferred, and has been recognised immediately in profit or loss.

During the six months ended 30 June 2016, Yaobai Environmental contributed revenue of RMB29,454,000 and net profit of RMB25,834,000 to the Group's results.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MACRO ENVIRONMENT

In the first half of 2016, the macro-economic condition of China has shown signs of stabilization from continuous decline as a result of the proactive financial, monetary and real estate new policies. According to the statistics from China's National Bureau of Statistics, the growth of the gross domestic product of the PRC was 6.7% in the first half of 2016, which is basically constant to that in the same period of last year. Nevertheless, the economic environment in both China and overseas is still harsh and complicated, with a stronger downward economic pressure.

Facing the changing macro-economics in both China and overseas and the continuous downward pressure of real economic development, the Group continued to adhere to the three major industries, namely, energy-saving, environmental-protection and new building materials by focusing on raising quality, reducing costs and increasing efficiency to explore markets proactively, advance overseas development, raise industrial value, strengthen systematic control, innovate operation models and carry out various works in the first half of the year with great effort.

During the Reporting Period, the Group recorded a revenue of RMB909.06 million, representing a decrease of 4.35% as compared with the corresponding period of the previous year. Profit from principal businesses before taxation was RMB388.81 million, representing an increase of 8.58% as compared with the corresponding period of the previous year. Net profit of our principal activities attributable to equity shareholders of the Company amounted to RMB233.71 million, representing an increase of 5.16% as compared with the corresponding period of the previous year.

### BUSINESS REVIEW

#### Commitment in developing diversification in energy-saving industry

During the Reporting Period, the Group increased its sales efforts in overseas markets and continued to promote its businesses such as cement residual heat power generation, coal-fired power plants and vertical mills in overseas markets. As for residual heat power generation business, overseas project orders including Indonesia PT.Conch North Sulawesi Cement (“**PT. North Sulawesi**”) self-owned power plants and residual heat power generation, Thailand Siam City Power Company Limited and Cambodia Battambang Conch Cement Co., Ltd. residual heat power generation were obtained. As for vertical mill business, orders for PT. North Sulawesi raw materials vertical mills, Nippon Steel & Sumikin Cement Co., Ltd. mineral debris vertical mills were signed.

In addition, the Group's first residual heat boiler export project to JP Steel Plantech Co. has been completed successfully. The production capacity and quality of the Group's boiler products have shown to have reached the technical requirement for manufacturing special equipment boiler of developed countries. This has helped the Group to accumulate valuable experience for the sales of its products to other developed countries.

Meanwhile, the Group proactively captured the remaining market of residual heat power generation in China and successfully won the tender of Jidong Heilongjiang Cement 15MW residual heat power generation project; proactively commenced Huaibei Zhongcheng Cement 9MW residual heat power generation project EP (engineering and procurement, a type of business arrangement used in the design and construction of a facility) contract budget assessment review and preparation works prior to the execution of the contract.

During the Reporting Period, the Group has contracted a total of 44 power generation projects, among which 11 were from overseas.

### **Maintaining strong development lead in environmental-protection industry**

The current environmental-protection business of the Company mainly consists of 3 segments, namely, disposal of municipal waste by cement kiln, grate furnace power generation and collaborative disposal of industrial solid waste by cement kiln.

From the year-to-date, the Group has newly entered into 11 projects, among which 6 were grate furnace power generation projects, namely, Susong and Huoqiu in Anhui Province, Shache and Bole in Xinjiang Province, Li County in Hunan Province, Tongren in Guizhou Province, and 5 were collaborative disposal of industrial solid waste by cement kiln projects, namely, Huaibei, Wuhu and Suzhou in Anhui Province, Shimen in Hunan Province, Zhong County in Chongqing. Yaobai Environmental Fuping industrial solid waste disposal project has been put into operation in the first half of the year. Other projects such as Mian County have been approved and under planning. The disposal capacity of the Company's industrial solid waste disposal project in Shaanxi Province has been further expanded.

During the Reporting Period, on the foundation of "Thirteen Five-Year" development plan, the Group commenced investigations on projects about collaborative disposal of industrial solid waste by cement kiln. On the foundation of understanding and gathering the industry development, the Group prepared plans for the projects about collaborative disposal of industrial solid waste by cement kiln.

Moreover, the Group proactively expanded the scope of environmental-protection business and explored new models of cooperation. On 5 July 2016, the Group successfully entered into a strategic cooperation agreement with ENN Energy Holdings Limited. It is expected that both parties will explore cooperation on distributed energy projects, complimenting the strengths and weaknesses with each other to achieve a win-win situation.

During the Reporting Period, the Group recorded revenue of RMB822.76 million in the energy-saving and environmental-protection industries, representing a decrease of 5.50% as compared with the corresponding period of the previous year. Total profit before taxation was RMB378.91 million, representing an increase of 31.69% as compared with the corresponding period of the previous year.

As at the date of this announcement, the Group has secured in total 41 waste disposal projects, located across 13 provinces, cities and municipalities, among which 18 have been completed, 9 are under construction, 14 have been approved and under planning.

Details of the projects are as follows:

No.	Way of disposal	Status	Location	Business model	Size	Remarks	
1	Disposal of municipal waste by cement kiln	Completed	Tongling, Anhui Province (Phase I)	EPC	1x300t/d		
2			Guiding, Guizhou Province	EPC	1x200t/d		
3			Pingliang, Gansu Province	BOT	1x300t/d		
4			Zhong County, Chongqing	EPC	1x200t/d		
5			Qingzhen, Guizhou Province	BOT	1x300t/d		
6			Zunyi, Guizhou Province	EPC	2x400t/d		
7			Yuping County, Guizhou Province	BOT	1x100t/d	A joint operation with China National Building Material Company Limited	
8			Yangchun, Guangdong Province	BOT	1x200t/d		
9			Qiyang County, Hunan Province	BOT	1x300t/d		
10			Shimen County, Hunan Province	BOT	1x200t/d		
11			Xishui County, Guizhou Province	BOT	1x300t/d	A joint operation with China National Building Material Company Limited	
12		Anshun, Guizhou Province	EPC	1x200t/d	The project is built in cooperation with Taiwan Cement Corporation		
13		Shuicheng County, Guizhou Province	BOT	1x200t/d			
14		Shuangfeng County, Hunan Province	BOT	1x200t/d			
15		Fusui County, Guangxi Province	BOT	1x200t/d			
16		Projects under construction		Emeishan, Sichuan Province	EPC	1x400t/d	
17				Baoshan, Yunnan Province	BOT	1x300t/d	
18				Nanjiang County, Sichuan Province	BOT	1x200t/d	
19				Lingyun County, Guangxi Province	BOT	1x100t/d	
20				Ningguo, Anhui Province	BOT	1x300t/d	
21				Shahe, Hebei Province	EPC	1x300t/d	
22				Linxia, Gansu Province	BOT	1x300t/d	
23				Longyan, Fujian Province	EPC	1x300t/d	
24		Projects submitted for approval and pending construction		Tongling, Anhui Province (Phase II)	EPC	1x300t/d	



No.	Way of disposal	Status	Location	Business model	Size	Remarks
25	Collaborative disposal of industrial solid waste by cement kiln	Completed	Lantian County, Shaanxi Province	BOO <sup>(Note 1)</sup>	1×250t/d	
26			Fuping County, Shaanxi Province	BOO	1×450t/d	
27		Projects under construction	Qian County, Shaanxi Province	BOO	1×200t/d	
28		Projects submitted for approval and pending construction	Mian County, Shaanxi Province	BOO	1×150t/d	
29			Shimen County, Hunan Province	BOO	1×200t/d	
30			Huaibei, Anhui Province	BOO	1×300t/d	
31			Wuhu, Anhui Province	BOO	2×300t/d	
32			Suzhou, Anhui Province	BOO	2×300t/d	
33			Zhong County, Chongqing	BOO	2×300t/d	
34		Grate furnace power generation	Completed	Jinzhai County, Anhui Province (Phase I)	BOT	1×300t/d
35	Projects under construction		Yanshan County, Yunnan Province	BOT	1×300t/d	
36			Shache County, Xinjiang Province (Phase I)	BOT	1×600t/d	
37			Tongren, Guizhou Province	BOT	1×600t/d	
38	Projects submitted for approval and pending construction		Susong County, Anhui Province (Phase I)	BOT	1×400t/d	
39			Li County, Hunan Province (Phase I)	BOT	1×400t/d	
40			Huoqiu County, Anhui Province (Phase I)	BOT	1×400t/d	
41			Bole, Xinjiang Province (Phase I)	BOT	1×300t/d	

Note:

1. building-owning-operation, a type of business arrangement used in the construction of a facility.

As at the date of this announcement, the Group has completed 15 projects of disposal of municipal waste by cement kiln, achieving an annual disposal volume of 1.46 million tons. The Group has secured 9 projects, and will achieve an annual disposal volume of 0.91 million tons.

The Group has completed 2 projects of collaborative disposal of industrial solid waste by cement kiln, achieving an annual disposal capacity of 0.25 million tons. The Group has secured 7 projects, and will achieve an annual disposal capacity of 0.96 million tons.

The Group has completed 1 project of grate furnace power generation, achieving an annual disposal volume of 0.10 million tons. The Group has secured 7 projects, and will achieve an annual disposal volume of 1.09 million tons.

### Steady advancement in various works in the new building materials industry

During the Reporting Period, the Group enhanced its efforts to expand its market, optimise the market distribution and pay close attention to sales work. Multi-channel building of product showcase platforms were adopted, increasing the pace of brands building to exert its influence in the industry. By further optimising manufacturing organisation, strengthening benchmarking management, implementing cost control, various indicators including production, sales volume, benefit and the number of customers all increased considerably.

The Group also proactively participated in industrial development and technology seminar activities, promoting exchanges with external parties. The Group joined industrial exchange and application promotion meetings in Beijing, Hefei etc., and was successfully elected as 結構與保溫裝飾一體化工作組副組長單位 (deputy head unit of unison between structure and decorative insulation working group\*) and 安徽省牆改協會常務理事單位 (executive director unit of Wall Reconstruction Association\*). The Group successfully undertook cellulose cement autoclaved board industry annual meeting, and was elected as the vice chairman unit of the association.

During the Reporting Period, the Group has sold 1.74 million square meters in total fibre cement panels and achieved a revenue of RMB17.75 million, representing an increase of 182.51% and 152.61% as compared with the corresponding period of the previous year respectively. Anhui Conch Venture New Energy-saving Building Material Co., Ltd. has reached a monthly sales volume of over 0.2 million square meters for six consecutive months. During the Reporting Period, the accumulated sales volume amounted to 1.13 million square meters, almost as same as compared to the total sales volume of 2015.

### **Stable operation in port logistics services business**

During the Reporting Period, through the mechanism of regular visits, the Group has formulated personalised service policies for each customer, gradually achieved customer diversification, and obtained many high-quality customer base such as large-scale corporations. Meanwhile, by further optimising economic indicators, enhancing autonomous technology renovation and securing equipment stability, the costs of operating equipment were lowered and hence, achieving cost efficiency.

During the Reporting Period, the Group has recorded a new historical high record of a throughput of 12.54 million tones, with a revenue of RMB68.55 million. Under the industry contraction, the port logistics services business rose against the fall, raising the risk-bearing ability and competitive advantages.

## PROFITS

Item	January–June	January–June	Changes between the Reporting Period and the Corresponding period of the previous year (%)
	2016 Amount (RMB'000)	2015 Amount (RMB'000)	
Revenue	909,058	950,418	-4.35
Profit before taxation	977,688	1,258,155	-22.29
Share of profit of an associate	588,874	900,069	-34.57
Net profit attributable to equity shareholder of the Company	822,582	1,122,302	-26.71
Net profits from principal businesses attributable to equity shareholder of the Company	233,708	222,233	5.16

During the Reporting Period, the Group recorded a revenue of RMB909.06 million, representing a decrease of 4.35% as compared with the corresponding period of the previous year. Profit before taxation was RMB977.69 million, representing a decrease of 22.29% as compared with the corresponding period of the previous year, which was mainly due to the decrease in the profit from Conch Holdings. However, net profits of our principal activities attributable to equity shareholder of the Company amounted to RMB233.71 million, representing an increase of 5.16% as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB0.46.

### Revenue by business segments

Item	January-June 2016		January-June 2015		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Residual heat power generation	418,889	46.08	377,095	39.67	11.08	6.41
Vertical mills	46,836	5.15	87,133	9.17	-46.25	-4.02
Waste incineration	357,035	39.28	406,373	42.76	-12.14	-3.48
<b>Subtotal</b>	<b>822,760</b>	<b>90.51</b>	<b>870,601</b>	<b>91.60</b>	<b>-5.50</b>	<b>-1.09</b>
Port logistics services	68,547	7.54	72,790	7.66	-5.83	-0.12
New building materials	17,751	1.95	7,027	0.74	152.61	1.21
<b>Total</b>	<b>909,058</b>	<b>100.00</b>	<b>950,418</b>	<b>100.00</b>	<b>-4.35</b>	<b>-</b>

During the Reporting Period, the Group saw a rapid year-on-year growth in the revenue from the residual heat power generation and new building materials while the revenue from vertical mills and waste incineration decreased as compared with the corresponding period of the previous year. In terms of business segments, (i) increasing marketing efforts were put into the residual heat power generation to maintain the revenue growth. As for the new building materials, the Group actively expanded new markets and achieved an increase of 152.61% for the revenue as compared with the corresponding period of the previous year; (ii) the revenue from waste incineration decreased as compared with the corresponding period of the previous year, which was mainly affected by the lagging progress of Tongling Phase II, Huoqiu and Tongren projects; (iii) the revenue from vertical mills decreased by 46.25% as compared with the corresponding period of the previous year, which was mainly due to the failure to deliver equipment on schedule resulted from the lagging progress of certain cement projects.

### Revenue by geographical locations

Item	January–June 2016		January–June 2015		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
China	699,593	76.96	645,898	67.96	8.31	9.00
Asia (excluding China)	208,939	22.98	303,317	31.91	-31.12	-8.93
South America	325	0.04	1,203	0.13	-72.98	-0.09
Africa	201	0.02	-	-	-	0.02
<b>Total</b>	<b>909,058</b>	<b>100.00</b>	<b>950,418</b>	<b>100.00</b>	<b>-4.35</b>	<b>-</b>

During the Reporting Period, the revenue from China market of the Group increased by 8.31% as compared with the corresponding period of the previous year, with its proportion in the total revenue going up by 9 percentage points, which was mainly due to the increase of the revenue from China market in the residual heat power generation and new building materials. For the current period, the Group achieved a revenue of RMB209.47 million from the overseas market, representing a decrease as compared with the corresponding period of the previous year, which was mainly affected by the lagging progress of overseas projects.

## Gross profit and gross profit margin

Item	January–June 2016		January–June 2015		Change in amount (%)	Change in gross profit margin (percentage point)
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)		
Residual heat power generation	158,402	37.81	123,089	32.64	28.69	5.17
Vertical mills	10,548	22.52	31,241	35.85	-66.24	-13.33
Waste incineration	191,877	53.74	167,577	41.24	14.50	12.50
<b>Subtotal</b>	<b>360,827</b>	<b>43.86</b>	<b>321,907</b>	<b>36.98</b>	<b>12.09</b>	<b>6.88</b>
Port logistics services	32,959	48.08	37,826	51.97	-12.87	-3.89
New building materials	-7,084	-39.91	-1,413	-20.11	-401.34	-19.80
<b>Total</b>	<b>386,702</b>	<b>42.54</b>	<b>358,320</b>	<b>37.70</b>	<b>7.92</b>	<b>4.84</b>

During the Reporting Period, the consolidated gross profit margin of products of the Group was 42.54%, representing an increase of 4.84 percentage points as compared with the corresponding period of the previous year. In terms of business segments, (i) the gross profit margin of residual heat power generation increased by 5.17 percentage points as compared with the corresponding period of the previous year, which was mainly due to the increase in gross profit margins of residual heat power generation projects both in domestic and overseas markets during the Reporting Period; (ii) the gross profit margin of vertical mills decreased by 13.33 percentage points as compared with the corresponding period of the previous year, which was affected by the failure of recognizing the equipment revenue as a result of lagging progress of certain cement projects, and the reduction of sales prices caused by fierce market competition in overlay welding and spare parts businesses of the vertical mills segment; (iii) the gross profit margin of waste incineration increased by 12.50 percentage points, which was mainly due to the increase of revenue in the operation period when the gross profit margin is higher than that in construction period; (iv) the gross profit margin of new building materials was negative, representing a decrease of 19.80 percentage points as compared with the corresponding period of the previous year. It was because of the failure to have the fixed costs effectively diluted and that the early stage of the inventory costs were higher as a result of the unfully utilised capacity due to development stage of the market.

## Source of revenue and composition of share of profit

Item	January–June 2016		January–June 2015		Change in amount (%)	Change in percentage (percentage point)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
<b>Revenue</b>	<b>909,058</b>	<b>100.00</b>	950,418	100.00	-4.35	-
Other customers	694,527	76.40	804,039	84.60	-13.62	-8.20
Conch Cement	214,531	23.60	146,379	15.40	46.56	8.20
<b>Profit for the period</b>	<b>896,836</b>	<b>100.00</b>	1,173,056	100.00	-23.55	-
Share of profit of an associate	588,874	65.66	900,069	76.73	-34.57	-11.07
Profit attributable to operations	307,962	34.34	272,987	23.27	12.81	11.07

During the Reporting Period, revenue from sales to other customers was RMB694.53 million, representing a decrease of 13.62% as compared with the corresponding period of the previous year; the proportion of the revenue decreased by 8.2 percentage points. Revenue from sales to Conch Cement was increased by 46.56%. Profit for the period was RMB896.84 million, among which share of profit of Conch Holdings was RMB588.87 million, representing a decrease of 34.57% as compared with the corresponding period of the previous year. However, there was a steady growth in profit attributable to operations with an increase of 12.81% as compared with the corresponding period of the previous year, and the proportion of the total revenue increased by 11.07 percentage points.

### Distribution costs

During the Reporting Period, the distribution costs of the Group were RMB10.11 million, representing a decrease of RMB6.47 million or 39.02% as compared with the corresponding period of the previous year, which was mainly due to the decrease in the sales transportation costs of the Group.

### Administrative expenses

During the Reporting Period, the Group's administrative expenses were RMB57.92 million, representing a decrease of RMB12.56 million or 17.82% as compared with the corresponding period of the previous year, which was mainly due to the decrease in provision for allowance for doubtful debts as compared with the corresponding period of the previous year.

### Finance costs

During the Reporting Period, the Group's financial costs were RMB12.43 million, representing a decrease of RMB9.90 million or 44.32% as compared with the corresponding period of the previous year, which was mainly due to the decrease in the bank loans of the Group and the interest rate.

## **Profit before taxation**

During the Reporting Period, the Group's profit before taxation was RMB977.69 million, representing a decrease of RMB280.47 million or 22.29% as compared with the corresponding period of the previous year, which was mainly due to the decrease of 34.57% in share of profits of an associate as compared with the corresponding period of the previous year. However, the profit before taxation from principal operations amounted to RMB388.81 million, representing an increase of 8.58% as compared with the corresponding period of the previous year.

## **FINANCIAL POSITION**

As at 30 June 2016, the total assets of the Group amounted to RMB19,284 million, representing an increase of RMB784.41 million as compared with the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB16,604 million, representing an increase of RMB345.77 million as compared with the end of the previous year. Gearing ratio was 11.17% (total liabilities/total assets), representing an increase of 1.71 percentage points as compared with the end of the previous year.

### **Non-current assets and non-current liabilities**

As at 30 June 2016, the non-current assets of the Group was RMB15,631 million, representing an increase of 5.30% as compared with the end of the previous year, primarily due to an increase in its interest in an associate and the account receivables of contracts. Non-current liabilities of the Group was RMB535.32 million, representing an increase of 11.52% as compared with the end of the previous year, primarily attributable to the increase in long-term bank loans raised by the Group during the Reporting Period.

### **Current assets and current liabilities**

As at 30 June 2016, the current assets of the Group was RMB3,653 million, basically the same as compared with the end of the previous year. The current liabilities of the Group was RMB1,618 million, representing an increase of 27.36% as compared with the end of the previous year, primarily due to the provision for dividend payable which has not yet been paid in the Reporting Period. Current ratio was 2.26 (at the end of the previous year: 2.88) and debt to equity ratio (calculated by dividing total loans by total equity) was 0.04 (at the end of the previous year: 0.03).

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Reporting Period, the working capital of the Group was mainly sourced from cash from daily operating activities, cash from investments and bank loans. As at 30 June 2016, cash and cash equivalents of the Group amounted to approximately RMB1,892 million, which are mainly dominated in RMB, Hong Kong dollars and US dollars. The Group regularly monitors the liquidity requirements to ensure that its liquidity requirements can be satisfied.



## Bank loans and other loans

As at 30 June 2016, the balance of bank loans and other loans of the Group was as follows:

Item	At 30 June 2016	At 31 December
	(RMB'000)	2015 (RMB'000)
Repayable within one year	74,783	50,000
Repayable after one year but within two years	308,458	–
Repayable after two years but within five years	196,649	480,000
Repayable after five years	30,210	–
<b>Total</b>	<b>610,100</b>	<b>530,000</b>

As at 30 June 2016, the balance of bank loans of the Group amounted to RMB610.10 million, representing an increase of RMB80.10 million as compared with the end of the previous year, which was mainly due to the increase in the bank loans and other loans during the Reporting Period of the Group. As at 30 June 2016, all of the Group's loans were denominated in RMB, and most of loans are subject to variable interest rates.

The cash flows during the Reporting Period were analyzed as follows:

Item	January-June	January-June
	2016 (RMB'000)	2015 (RMB'000)
Net cash (used in)/generated from operating activities	(42,275)	79,446
Net cash (used in)/generated from investing activities	(394,480)	327,628
Net cash (used in)/generated from financing activities	(3,440)	188,345
Net (decrease)/increase in cash and cash equivalents	(440,195)	595,419
Cash and cash equivalents at the beginning of the period	2,332,268	2,057,583
Cash and cash equivalents at the end of the period	1,892,073	2,653,002

### Net cash used in operating activities

During the Reporting Period, net cash used in the operating activities of the Group amounted to RMB42.28 million, representing a decrease of RMB121.72 million as compared with the corresponding period of the previous year. The decrease was mainly attributable to the decrease in the revenue of the Group as compared with the corresponding period of the previous year and the effect of billing cycle of waste disposal fees during the operation period of certain waste incineration projects.



## Net cash used in investing activities

During the Reporting Period, net cash used in the investing activities of the Group amounted to RMB394.48 million, representing a decrease of RMB722.11 million as compared with the corresponding period of the previous year, primarily due to the maturity of a structural deposit of RMB650 million in the corresponding period of the previous year of the Group .

## Net cash used in financing activities

During the Reporting Period, net cash used in the financing activities of the Group amounted to RMB3.44 million, representing a decrease of RMB191.79 million as compared with the corresponding period of the previous year. The decrease was mainly attributable to the decrease in the borrowing of bank loans of the Group as compared with the corresponding period of the previous year.

## COMMITMENTS

As at 30 June 2016, purchase commitments of the Group in connection with construction contracts were as follows:

<b>Item</b>	<b>At 30 June 2016</b> <i>(RMB'000)</i>	<b>At 31 December</b> <b>2015</b> <i>(RMB'000)</i>
Contracted for	<b>251,008</b>	209,427
Authorised but not contracted for	<b>1,147,560</b>	846,320
<b>Total</b>	<b>1,398,568</b>	1,055,747

## FOREIGN EXCHANGE RISK

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

The Group adopted no financial derivatives to hedge against foreign exchange risks as it believes such risks are controllable.

## CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities.

## **PLEDGE OF ASSETS**

As at 30 June 2016, the Group had no material pledge of assets.

## **MATERIAL ACQUISITIONS OR DISPOSALS**

During the Reporting Period, the Group, through its wholly-owned subsidiary Wuhu Conch Investment Co., Ltd. (“**Conch Investment**”), entered into an investment agreement with Shaanxi Quanchuangke Industrial and Trading Co., Ltd. and Yaobai Special Cement Group Co., Ltd.. Conch Investment and Shaanxi Quanchuangke Industrial and Trading Co., Ltd. injected RMB90 million and RMB30 million into Yaobai Environmental, respectively. Upon completion of the capital injection, Yaobai Environmental will be owned as to 60%, 20% and 20% by Conch Investment, Shaanxi Quanchuangke Industrial and Trading Co., Ltd. and Yaobai Special Cement Group Co., Ltd., respectively. Pursuant to the terms of the agreement, the transaction was completed on 1 January 2016 and Yaobai Environmental became a 60% owned subsidiary of the Group.

Except for the above, neither the Company nor any of its relevant subsidiaries or associates had conducted any material acquisitions or disposals.

## **USE OF PROCEEDS FROM LISTING**

The shares of the Company were listed for the first time on the Main Board of the Stock Exchange on 19 December 2013. The net proceeds from the global offering amounted to approximately HKD3,968.3 million (approximately RMB3,118.9 million) (“**Net Proceeds**”).

In order to use the Net Proceeds more effectively and to promote the efficient allocation of the Company’s financial resources, at the Board meeting convened on 17 June 2016, the Board determined: among the proceeds originally used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu and Bozhou, the amount of RMB713.6 million (approximately HKD849.5 million) would be reallocated to be used to carry out refuse and solid waste treatment and other environmental-protection business within the Company’s business scope by applying various business models. The remaining amount of RMB150 million (approximately HKD178.5 million) in the cellulose cement autoclaved boards project would be used for the expansion of plants, procurement of raw materials, recruitment of staff and the establishment of sales market. For details, please refer to the announcement published on 21 June 2016 by the Company.

Out of the Net Proceeds, for the year ended 31 December 2015, the Group had utilized an aggregate amount of approximately RMB1,914.6 million of the Net Proceeds and the remaining balance of the Net Proceeds amounted to RMB1,204.3 million. During the Reporting Period, the Company further utilized an amount of RMB419.4 million in the ways set out in the table below.

Usage	<b>Utilized amount during the Reporting Period</b> <i>(RMB million)</i>	<b>Balance as at Actual business progress as 30 June 2016 at 30 June 2016</b> <i>(RMB million)</i>
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province	13.1	95.6 Establishment of production facilities of new construction material 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	4.6	46.2 Establishment of production facilities of new construction material industry, procurement of raw materials and establishment of sales markets
To be used to carry out refuse and solid waste treatment projects within the Company's business scope by applying various business models	397.5	605.9 Construction and operation of waste incineration projects in Ningguo, Anhui Province and Linxia, Gansu Province etc.
General corporate purposes	<u>4.2</u>	<u>37.2</u>
<b>Subtotal</b>	<b><u>419.4</u></b>	<b><u>784.9</u></b>

As at 30 June 2016, the Company has utilized an aggregate amount of approximately RMB2,334 million of the Net Proceeds and the remaining balance of the Net Proceeds amounted to RMB784.9 million was deposited in the banks and financial institutions recognized in Hong Kong and the PRC.

## **HUMAN RESOURCES**

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group organized professional and technical seminars and trainings relating to municipal waste treatment technology, basic knowledge of grate furnace technology, marketing and promotion of new building materials, special types of work, production safety and financial literacy. Some of the executive management attended the operating management training organized by the University of Science and Technology of China. The Group helped the management and staff to learn, understand and master various production and operation management techniques and knowledge, so as to raise the overall quality and maintain the healthy development of the Company. The Group continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

As at 30 June 2016, the Group had approximately 1,231 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 2016, the total remuneration of employees (including the remuneration of the Company's directors) was approximately RMB41.18 million (for the same period of 2015: RMB38.79 million).

The Company adopted a 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.

## **BUSINESS OUTLOOK**

The effort of the Group since its listing has gained widespread recognition from the international capital market and the society. In June 2016, Hang Seng Index announced the quarterly review results of its stock index. The Group was included as a constituent stock of "Hang Seng Mainland 100" which took effect after the trading hours of 6 June 2016. It was the second time the Group being incorporated as a constituent stock of such index since 9 June 2014.

During the Reporting Period, the policy development of environmental-protection industry was very proactive: the Central Government promulgated the reward over compensation policy for projects about collaborative disposal by cement kiln, with Guizhou Province as the trial point. All 7 projects contracted by the Company were selected. The reward funds were expected to arrive within the year. Such policy will also be promoted and implemented in other provinces, successfully solving the problem of the subsidy-less policy for projects about collaborative disposal by cement kiln. In May 2016, the State Council published "Clean Soil Action Plan", pursuant to which all three action plans "atmosphere, water and soil" were promulgated. Apparently, the approach of the government towards environment regulation is clear, aiming to further increase the investment of environmental-protection industry during the "Thirteen Five-Year" period. Various policy developments have proactive promotional effect on the market trend and future development path of the entire energy-saving and environmental-protection industry.

Looking forward, the Group will continue to work hard to seize opportunities and vigorously promote the three major industries segments (i.e. energy preservation, environmental protection and new building materials). While maintaining stable growth of operating results, the Group seeks to expand the scope of business, expand and enhance the principal businesses, in order to transform itself into the leading corporation of the environmental-protection industry.

The energy-saving industry continues to focus on overseas markets. The Group will consolidate its existing market shares of this industry in Southeast Asia and South Asia. On the foundation of early commencing business activities in regions such as West Asia and South America, the Group will proactively strive for project orders and expand overseas new markets.

Our environmental-protection industry will grasp the national environmental-protection policies and roll out marketing campaigns for collaborative disposal of municipal waste by cement kiln and grate furnace power generation technology, to make the existing projects good samples of demonstration and secure orders through the flexible use of business models such as EPC, BOT and PPP. The Group will continue to promote collaborative disposal of industrial solid waste by cement kiln projects, further refine project development plans, make full use of the advantages of geographical resources, accelerate the construction progress of contracted projects and accelerate the roll out of demonstration project construction. The Group will also proactively seek and push forward the cooperation between society-related corporations, build a wide source of industrial solid waste and strive to achieve new development of projects about collaborative disposal of industrial solid waste by cement kiln during the “Thirteen Five-Year” period.

Our new building material industry will leverage on the advantage of us being elected as the vice chairman unit of the industry association, proactively enhance industry exchange and strive for the right to speak in the industry. We will continue to strengthen the advantageous market construction, stabilise the core market shares, perform brand advertisement and sales services and further develop neighboring markets. We will make full use of internet marketing methods and plan foreign trade marketing promotion. Meanwhile, we will further stabilise the quality of production, reduce consumption of indicators, raise various basic management standards and put in high-quality products to the market in order to meet the demand from numerous customers.

## **INTERIM DIVIDEND**

The Board of the Company resolved not to declare any interim dividend for the six months ended 30 June 2016.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board confirmed that the Company complied with the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the Reporting Period.

## **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) (“**Securities Dealing Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiries by the Company, all directors of the Company confirmed that they complied with the Model Code and the Securities Dealing Code during the Reporting Period.

## **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.

## **REVIEW OF THE INTERIM RESULTS**

The Audit Committee of the Company comprising three independent non-executive directors, namely Mr. Chan Chi On (alias Derek Chan), being the chairman of the Audit Committee, Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex has reviewed the unaudited results of the Company for the six months ended 30 June 2016. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

This results announcement is available on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.conchventure.com>). The interim report of the Company for the six months ended 30 June 2016 will be despatched to the shareholders of the Company and published on the above websites in due course.

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

China, 25 August 2016

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