CONCH VENTURE

2015 ANNUAL 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 Annual 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 Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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The head office building of the Company in the PRC located in Wuhu, Anhui

DEFINITIONS

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

Articles of Association:	the articles of association of the Company
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou CV Green:	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
CKEM:	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*)
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CK Equipment:	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*)
Company:	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 Design Institute:	安徽海螺建材設計研究院 (Anhui Conch Building Materials Design and Research Institute*)
Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and Conch Profiles)
CTPE	蕪湖海螺熱能工程有限責任公司 (Wuhu Conch Thermal Power Engineering Co., Ltd.*)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IID Shanghai:	上海海螺國際投資發展有限公司 (Shanghai Conch International Investment Development Co., Ltd.*)

DEFINITIONS

Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Property Management:	蕪湖海螺物業管理有限公司 (Wuhu Conch Property Management Co., Ltd.*)
Conch Venture Green:	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.*)
Conch Venture Property:	蕪湖海創置業有限責任公司 (Wuhu Conch Venture Property Co., Ltd.*)
Confluence:	Confluence Investment Holdings Limited (百匯投資控股有限公司)
connected person(s):	has the meaning ascribed thereto under the Listing Rules
Controlling Shareholder(s):	has the meaning ascribed thereto under the Listing Rules
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
EP:	engineering and procurement, a type of business arrangement used in the design and construction of a facility
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, we, our, or us:	the Company and its subsidiaries
HC Port:	揚州海昌港務實業有限責任公司 (Yangzhou Haichang Port Industrial Co., Ltd.*)
HK$:	Hong Kong dollar, the lawful currency of Hong Kong
HLGH Investment:	HLGH Investment Limited
HLGH PTC:	HLGH Management (PTC) Limited
Hong Kong or HK:	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

Indonesia:	The Republic of Indonesia
Kawasaki HI:	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社)
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the members of the senior management of the Company
Pakistan:	The Republic of Pakistan
PPP:	Public-private partnership, a business relationship between government and one or more private sector companies based on a concession agreement for the purpose of building urban infrastructure or providing certain public goods and services. Through such model, governments build benefit sharing, risk pooling and long-term cooperating relationship with private sectors
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the year from 1 January 2015 to 31 December 2015
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)
Shareholders:	Shareholders 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
Yao Bai Environmental:	Xian Yao Bai Environmental Protection Technology Engineering Co., Ltd. (西安堯柏環保科技工程有限公司)

1. 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
(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 Ms. ZHANG Mingjing
(VII)	**JOINT COMPANY SECRETARIES:**	Mr. SHU Mao Ms. NG Sin Yee, Clare
(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

1. CORPORATE INFORMATION

(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@conch.cn
(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
(XVII)	**CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT:**	Codan 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

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2015)

1. Operating results

Unit: RMB'000

Item	2015	2014	2013	2012	2011
Revenue	**2,057,494**	1,747,892	1,591,382	1,250,435	1,581,995
Profit before taxation	**2,226,710**	2,479,758	2,051,201	1,482,742	2,462,772
Share of profit of an associate	**1,539,856**	1,980,330	1,722,804	1,176,249	2,062,894
Net profit attributable to equity shareholders of the Company	**1,944,340**	2,238,504	1,836,786	1,299,091	2,228,156

2. Assets and liabilities

Unit: RMB'000

Item	2015	2014	2013	2012	2011
Total assets	**18,499,709**	17,206,867	15,976,669	10,804,688	9,794,761
Total liabilities	**1,750,315**	1,906,416	2,699,547	1,325,932	1,217,967
Equity attributable to equity shareholders of the Company	**16,258,446**	14,853,647	12,801,011	9,060,993	8,151,307

3. BUSINESS REVIEW AND OUTLOOK

(I) BUSINESS REVIEW

2015 is an important year for the development of the Group following its listing. During the Reporting Period in which the macro environment remained complex and volatile with increasing pressure of economic downturn, management and staff of the Group remained united and undivided under the powerful leadership of the Board of the Company, taking aggressive and effective measures to cope with the economic downturn. While striving to maintain the steady development of the energy-saving business, we increased our efforts to expand the environmental-protection business and continued to strengthen our internal management, as a result of which, the Company's principal businesses presented a momentum of healthy and steady growth.

During the Reporting Period, the Group recorded a revenue of approximately RMB2,057 million, representing an increase of 17.71% as compared to that in the previous year. Profit before taxation from principal businesses was RMB687 million, representing a year-on-year increase of 37.53%. Net profit from principal businesses attributable to equity shareholders of the Company amounted to RMB404 million, representing a year-on-year increase of 56.67% as compared to that in the previous year.

Energy-saving Industry

In 2015, the Group increased its efforts to penetrate into overseas markets to gather information on the latest developments thereof, continued to explore the overseas markets of cement residual heat power generation, coal-fired power plants and vertical mills, as a result of which, it successfully secured a number of orders in Indonesia, Pakistan and some other countries. The Group also took proactive steps to capture the domestic market and maintain its efforts in developing the market of residual heat power generation in the non-cement industries, and organized deep-reaching field researches in the potential markets of ferroalloy residual heat power generation such as Ningxia and Inner Mongolia, so as to gather the latest information. With such persistent efforts, the Group successfully secured the contract order from Ningxia Galaxy for the design of ferrosilicon power generation project.

During the Reporting Period, the Group entered into a total of 14 orders for residual heat power generation, among which 5 came from overseas, 8 from the cement industry in domestic market and 1 from other industry. The Group sold a total of 10 vertical mills.

The image shows the full view of residual heat power generation project of the Company constructed in Siam, Thailand

The image shows the high-efficient energy-saving vertical mill of the Company constructed in Kyaukse, Burma

3. BUSINESS REVIEW AND OUTLOOK

Environmental-Protection Industry

During the Reporting Period, the environmental protection industry emerged as a major launch pad of the Group's revenue and profit growth. The Group's proprietary technologies include: collaborative treatment of municipal waste by cement kilns, grate furnace power generation and treatment of solid and hazardous waste by cement kilns, etc.

During the Reporting Period, the Group secured a total of 7 projects of collaborative treatment of municipal waste by cement kilns in different places, i.e. Emeishan City of Sichuan Province, Linxia Prefecture of Gansu Province, Lingyun County of Guangxi Province, Tongling City of Anhui Province (phase II), Shahe City of Hebei Province, Ningguo City of Anhui Province and Longyan City of Fujian Province. In addition, the Group joined the Industrial Alliance of Solid Waste Co-processing by Cement Kilns as a vice president unit, which was established and led by China Building Materials Federation and China Cement Association, which enabled it to communicate with relevant authorities in respect of the State policies.

During the Reporting Period, the Group signed a grate furnace waste incineration power generation project in Yanshan County, Yunnan Province, and at the same time, its Jinzhai Grate Furnace Power Generation Demonstration Project was put into operation which will establish and complete a series of economic and technical criteria as well as the systems and processes for the future build-up of technologies, experience and talents, as an effort to lay a solid foundation for the Group's market expansion.

During the Reporting Period, revenue of the energy-saving and environmental protection industries amounted to RMB1,887 million, representing an increase of 17.48% as compared to that in the previous year.

As of now, the Group has secured 33 waste disposal projects, among which 16 have been completed, 5 are under construction, 12 have been approved and under planning. There are over 20 other projects, to which the parties have intention to enter into contracts.

The image shows the first grate furnace waste power generation project of the Company in Jinzhai , Anhui officially put into operation

The image shows the operation commencement ceremony of the disposal of household garbage by cement kiln project of the Company in Qiyang, Hunan

3. BUSINESS REVIEW AND OUTLOOK

Details of the projects are as follows:

No.	Way of disposal	Status	Location	Business model	Size	Expected Completion Date
1	Disposal of household garbage by cement kiln	Completed	Tongling, Anhui Province	EPC	1×300t/d	/
2			Guiding County, Guizhou Province	EPC	1×200t/d	
3			Pingliang, Gansu Province	BOT	1×300t/d	
4			Zunyi, Guizhou Province	EPC	2×400t/d	
5			Zhong County, Chongqing	EPC	1×200t/d	
6			Qinzhen, Guizhou Province	BOT	1×300t/d	
7			Yangchun, Guangdong Province	BOT	1×200t/d	
8			Yuping County, Guizhou Province	BOT	1×100t/d	
9			Qiyang County, Hunan Province	BOT	1×300t/d	
10			Anshun, Guizhou Province	EPC	1×200t/d	
11			Shimen County, Hunan Province	BOT	1×200t/d	
12			Shuicheng County, Guizhou Province	BOT	1×200t/d	
13			Xishui County, Guizhou Province	BOT	1×300t/d	
14			Fusui County, Guangxi Province	BOT	1×200t/d	
15			Shuangfeng County, Hunan Province	BOT	1×200t/d	
16		Under construction	Emeishan, Sichuan Province	EPC	1×400t/d	June 2016
17			Baoshan, Yunnan Province	BOT	1×300t/d	May 2016
18			Nanjiang County, Sichuan Province	BOT	1×200t/d	June 2016
19			Lingyun County, Guangxi Province	BOT	1×100t/d	June 2016
20	Disposal of household garbage by cement kiln	Approved and under planning	Linxia, Gansu Province	BOT	1×300t/d	April 2017
21			Tongling, Anhui Province (Phase II)	EPC	1×300t/d	December 2016
22			Ningguo, Anhui Province	BOT	1×300t/d	December 2016
23			Shahe, Hebei Province	EPC	1×300t/d	December 2016
24			Longyan, Fujian Province	EPC	1×300t/d	April 2017
25	Disposal of solid waste by cement kiln	Under construction	Qian County, Shaanxi Province	Proprietary investment	1×200t/d	June 2016
26		Approved and under planning	Shimen County, Hunan Province	BOT	1×200t/d	February 2017
27			Huaibei City, Anhui Province	BOT	1×300t/d	February 2017
28	Grate furnace waste power generation	Completed	Jinzhai County, Anhui Province (Phase I)	BOT	1×300t/d	/
29		Approved and under planning	Yanshan County, Yunnan Province	BOT	1×300t/d	May 2017
30			Susong County, Anhui Province (Phase I)	BOT	1×400t/d	September 2017
31			Feng County, Hunan Province (Phase I)	BOT	1×400t/d	October 2017
32			Shache County, Xinjiang Province (Phase I)	BOT	1×600t/d	October 2017
33			Huoqiu County, Anhui Province (Phase I)	BOT	1×400t/d	October 2017

3. BUSINESS REVIEW AND OUTLOOK

New Building Materials Industry

During the reporting period, the Group produced 4,040,000 sq.m fibre cement panels, sells 1,910,000 sq.m fibre cement panels accumulatively, reporting the operating revenue of RMB 20,602,000.

During the reporting period, the new building material industry focused on the goal of regarding market exploration as centre, sales increase as root, product safety as basis, technology and facility as safeguard, cost control as method, reliable quality as competitiveness to build the top brand image for Conch Venture, strengthened the key problems tackling and exploration of process technologies, improved the construction of control system for process quality, and realised the production with many specifications and varieties. The post-processing system and the construction of product test and detection centre were implemented. The capacity of product self-inspection and self-control was increased. A diversified platform for product promotion and sales was formed initially. A customer group was built, which is entered on post-processing customers including inorganic ceiling, thermal insulation and decoration integrated plate, light compound wallboard, ceiling panels and decoration moulding, and supplemented by engineering and building markets. Product sales realised the complete coverage. Sales and customer numbers continued to grow rapidly period to period, and product's bulk exporting was achieved. The Group actively conducted various exchanges for searching quality strategic partners and occupying custom resources, hence the influence in new building material industry was significantly improved.

Due to the difficulties including downward of macroeconomic market, general slowdown of demands on building decoration products, and inadequate development of production capacity within industrial post-processing enterprises, there is still a gap with the production and sales goal. However, the Group has obtained some exploring operating development and management results. Particularly, we have accumulated valuable experiences on production and process control, precious resources on market building, product promotion and application. A professional management system and fundamental standardized process have been gradually established, improved and on a fast track of operating development.

The image shows the factory area of Bozhou CV Green invested and established by the Company

The image shows the factory area of Conch Venture Green invested and established by the Company

3. BUSINESS REVIEW AND OUTLOOK

Port Logistics Business

During the Reporting Period, the port logistics business took steps to gradually diversify its customer base and improve the quality of its value-added services through fully exerting its potential and developing new business with appropriate reorientation and diversification.

During the Reporting Period, the Group has recorded a throughput of 22.97 million tones, with a revenue of RMB150 million, representing an increase of RMB8.193 million as compared to that in the previous year.

(II) FUTURE PLAN AND OUTLOOK

The Central Government has emphasized on solving the conflicts between man and nature when it put environmental-friendly development in its proposed development guidelines set forth as "Innovation, Coordination, Environmental-Friendliness, Opening and Sharing". During the "13th Five-Year" Period, construction of an agreeable ecological environment will be a big concern of the governments at all levels. In order to increase its environmental-protection efforts, the State will place greater emphasis on the disposal of solid and hazardous waste, and as a result, the investment in this field will increase continuously. In addition, with the promotion of construction industrialization and higher requirements on the building materials in terms of environmental-friendliness, the market of new building materials will be gradually cranked up. It can be expected that the industries of energy-saving and new building materials will meet with valuable opportunities during the "13th Five-Year" Period.

Facing both opportunities and challenges, the Group is determined to take proactive steps to "maintain growth and propel development". While looking for business opportunities in the domestic market, our energy-saving business will continue to consolidate and expand its market shares in Southeast Asia, South Asia, Africa and South America and carefully follow up the key projects and potential markets to secure more orders and turn the overseas markets into an important backup for the stable development of our Group in the coming years.

Our environmental-protection industry will roll out marketing campaigns for its three major garbage disposal technologies simultaneously. We will strengthen cooperation with the governmental authorities to make the existing projects good samples of demonstration and secure orders through the proper use of business models such as EP, EPC, BOT and PPP; reduce the adverse effect of government subsidies through the research on technology application in construction of grate furnace in the cement plant for power generation; expand the business scope of the Group by developing the disposal of industrial hazardous and solid waste by cement kiln through the control of Yao Bai Environmental. We will strive to develop our energy-saving and environmental-protection industry into a world-renowned and leading industry and realize a great leap-forward development.

3. BUSINESS REVIEW AND OUTLOOK

We will further boost confidence on new building material industry, establish a customer resource network centred on core markets including Jiangsu, Zhejiang, Shanghai, Anhui, Shandong and Henan, efficiently exploit the advantage of the Group on complete supporting functions of production line, take full advantage of strategic cooperation relations between upstream and downstream industries after steadily improving the foundation of post-processing enterprise customers, explore businesses targeted on engineering project, steel structure house, light steel villa, housing industrialization, existing building reconstruction, etc., expand export channels, and always take sales target increase as the top priority of operating development. Meanwhile, we will strengthen the production promotion, actively engage in the industrial development, maintain interactions with upstream and downstream industrial chains, and strive to be heard in the industry. In addition, we will continue to pay attention to customer demand and improve production quality, enhance process quality control, raise efficiency of equipment operation, strive to reduce the production cost, guarantee the product's certified rate, so as to meet the market demand with high quality products and customer demand with sincere services.

Looking forward, the Group will adhere to its philosophy known as "exploiting environment-protection career to create beautiful homeland" and concentrate on three major industries (i.e. energy preservation, environmental protection and new building materials). With focusing on enhancing quality, reducing costs and increasing efficiency, we will strive to develop the market, advance overseas market development, increase the value of our industries, strengthen systematic management and control, innovate our operating modes, closely follow the state's industrial policies and make efforts to achieve the targets as set forth in the "13th Five-Year" Development Plan to reward our shareholders with brilliant operating results.

The image shows the energy-saving equipment manufacturing base of the Company in Wuhu, Anhui

4. MANAGEMENT DISCUSSION AND ANALYSIS

(I) PROFITS

Item	**2015 Amount (RMB'000)**	2014 Amount (RMB'000)	Changes between the Reporting Period and the Corresponding period of the previous year (%)
Revenue	**2,057,494**	1,747,892	17.71%
Profit before taxation	**2,226,710**	2,479,758	–10.20%
Share of profit of an associate	**1,539,856**	1,980,330	–22.24%
Net profit attributable to equity shareholder of the Company	**1,944,340**	2,238,504	–13.14%
Net profits from principal businesses attributable to equity shareholder of the Company	**404,484**	258,174	56.67%

During the Reporting Period, the Group took advantage of the favourable industrial policies and adapted itself to the market changes while accelerating the strategic deployment to expand market share, and recorded a revenue of RMB2,057 million, representing an increase of 17.71% as compared to that in the previous year. We recorded a profit before taxation of RMB2,227 million, representing a decrease of 10.20% as compared to that in previous year, mainly due to the decrease in the profit from Conch Holdings, an associate of the Company. Net profits from principal businesses attributable to the equity shareholders of the Company amounted to RMB404 million, representing an increase of 56.67% as compared to that in the previous year. Basic earnings per share amounted to RMB1.08.

4. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business segments

Item	2015 Amount (RMB'000)	2015 Percentage (%)	2014 Amount (RMB'000)	2014 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Residual heat power generation	**871,118**	**42.34**	967,891	55.38	–10.00	–13.04
Vertical mills	**203,840**	**9.91**	314,454	17.99	–35.18	–8.08
Waste incineration	**812,141**	**39.47**	323,947	18.53	150.70	20.94
Subtotal	**1,887,099**	**91.72**	1,606,292	91.90	17.48	–0.18
New building materials	**20,602**	**1.00**	—	—	—	1.00
Port logistics services	**149,793**	**7.28**	141,600	8.10	5.79	–0.82
Total	**2,057,494**	**100.00**	1,747,892	100.00	17.71	—

During the Reporting Period, the revenue of the waste incineration business maintained its rapid growth while that of residual heat power generation and vertical mills met with a decrease, and our new building materials business recorded a revenue. With a breakdown by segment, (i) the revenue of waste incineration was RMB812 million, representing an increase of 150.70% as compared to that in the previous year, mainly due to the Group's recognition of revenue from waste incineration projects in Jinzhai of Anhui Province, Qiyang of Hunan Province, Yuping and Anshun of Guizhou Province; (ii) the revenue of residual heat power generation and vertical mills decreased by 10.00% and 35.18%, respectively, with their proportions in the total revenue of the Group decreasing by 13.04 and 8.08 percentage points respectively, mainly due to the decrease in the number of new cement projects together with a decrease in demand, leading to a decline in the operating income; and (iii) the new building materials recorded a revenue of RMB20.602 million, at its early stage of market development.

2. Revenue by geographical locations

Item	2015 Amount (RMB'000)	2015 Percentage (%)	2014 Amount (RMB'000)	2014 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
China	**1,199,387**	**58.29**	1,452,353	83.09	–17.42	–24.80
Asia (excluding China)	**850,241**	**41.32**	279,321	15.98	204.40	25.34
Africa	**6,502**	**0.32**	16,016	0.92	–59.40	–0.60
South America	**1,364**	**0.07**	202	0.01	575.25	0.06
Total	**2,057,494**	**100.00**	1,747,892	100.00	17.71	—

4. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group developed the overseas markets of residual heat power generation and vertical mills with remarkable efforts, revenue in Asia (excluding China) increased by 204.40% as compared to that in the previous year, with its proportion increasing by 25.34%.

3. Gross profit and gross profit margin

Item	2015 Amount (RMB'000)	2015 Percentage (%)	2014 Amount (RMB'000)	2014 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Residual heat power generation	**279,391**	**32.07**	282,703	29.21	–1.17	2.86
Vertical mills	**68,696**	**33.70**	88,017	27.99	–21.95	5.71
Waste incineration	**360,949**	**44.44**	127,294	39.29	183.56	5.15
Subtotal	**709,036**	**37.57**	498,014	31.00	42.37	6.57
New building materials	**–5,980**	**–29.03**	—	—	—	—
Port logistics services	**78,563**	**52.45**	75,627	53.41	3.88	–0.96
Total	**781,619**	**37.99**	573,641	32.82	36.26	5.17

During the Reporting Period, the Group's consolidated gross profit margin was 37.99%, representing an increase of 5.17 percentage points as compared to that in the previous year. With a breakdown by segment, (i) the gross profit margin for residual heat power generation and vertical mills increased by 2.86 and 5.71 percentage points respectively, mainly due to the increase in revenue from overseas projects which have higher gross profit margins; (ii) the gross profit margin of waste incineration increased by 5.15 percentage points as compared to that in the previous year, mainly due to the decrease in the costs of equipment and civil engineering from certain projects; (iii) the gross profit margin for new building materials was negative, mainly due to the failure to dilute fixed costs effectively at its initial market development stage while its production capacity was not yet fully utilized.

4. MANAGEMENT DISCUSSION AND ANALYSIS

4. Share of revenue and profit of Conch Cement

Item	2015 Amount (RMB'000)	2015 Percentage (%)	2014 Amount (RMB'000)	2014 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Revenue	**2,057,494**	**100.00**	1,747,892	100.00	17.71	—
Other customers	**1,718,124**	**83.51**	1,017,999	58.24	68.77	25.27
Conch Cement	**339,370**	**16.49**	729,893	41.76	–53.50	–25.27
Profit for the year	**2,059,811**	**100.00**	2,372,813	100.00	–13.19	—
Share of profit of an associate	**1,539,856**	**74.76**	1,980,330	83.46	–22.24	–8.70
Profit attributable to operations	**519,955**	**25.24**	392,483	16.54	32.48	8.70

During the Reporting Period, revenue from sales to other customers was RMB1,718 million, representing an increase of 68.77% as compared to that in the previous year; accounted for 83.51% of the total revenue, representing an increase of 25.27% as compared to that in the previous year. Revenue from sales to Conch Cement was RMB339 million, representing a decrease of 53.50%; accounted for 16.49% of the total revenue, down by 25.27%. Profit attributable to operations was RMB520 million, representing an increase of 32.48% as compared with the corresponding period of the previous year, mainly due to the rapid development of the environmental protection industry.

5. Other revenue

During the Reporting Period, the Group's other revenue was RMB167.438 million, representing an increase of RMB19.551 million or 13.22% as compared with the corresponding period of the previous year, such increase was mainly due to an increase in the deposit interest and subsidies of the Group.

6. Distribution costs

During the Reporting Period, the distribution costs of the Group were RMB29.065 million, representing an increase of RMB2.412 million or 9.05% as compared to that in the previous year, mainly due to the increase in the distribution costs for developing the new building materials market.

7. Administrative expenses

During the Reporting Period, the Group's administrative expenses were RMB198.422 million, representing an increase of RMB93.425 million, or 88.98% as compared to that in the previous year, mainly due to the increase in provision for allowance for doubtful debts, employees' compensation, depreciation and amortization costs.

4. MANAGEMENT DISCUSSION AND ANALYSIS

8. Finance costs

During the Reporting Period, the Group's financial costs were RMB38.396 million, representing a decrease of RMB22.359 million or 36.80% as compared to that in the previous year, mainly due to the decrease in the interest expenses as a result of the repayment of the bank loans during the year.

9. Profit before taxation

During the Reporting Period, the Group's profit before taxation was RMB2,227 million, representing a decrease of RMB253 million or 10.20% as compared to that in the previous year, mainly due to share of profits of an associate of RMB1.54 billion, representing a decrease of RMB440 million as compared to that in the previous year, which caused the profit before taxation to decline; the profit before taxation from principal operations recorded a significant growth during the year, which amounted to RMB687 million, representing an increase of RMB187 million or 37.53% as compared to that in the previous year.

10. Income tax expenses

During the Reporting Period, the Group's income tax expenses were RMB166.899 million, representing an increase of RMB59.954 million or 56.06% as compared to that in the previous year, mainly due to the increase in the profit before taxation from principal operations, which caused the income tax to increase.

The image shows Yangzhou Haichang Port operated by the Company

4. MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL POSITION

As at 31 December 2015, total assets and equity attributable to equity shareholders of the Company amounted to RMB18.5 billion and RMB16.258 billion, representing increases of RMB1.293 billion and RMB1.405 billion, respectively, as compared with the end of the previous year. Gearing ratio of the Group was 9.46% (total liabilities/total assets), representing a decrease of 1.62 percentage points as compared with the end of the previous year. The balance sheet items of the Group are as follows:

Item	**At 31 December 2015 (RMB'000)**	At 31 December 2014 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	**998,151**	1,007,768	–0.95
Non-current assets	**14,843,259**	13,206,837	12.39
Current assets	**3,656,450**	4,000,030	–8.59
Current liabilities	**1,270,315**	1,776,416	–28.49
Non-current liabilities	**480,000**	130,000	269.23
Net current assets	**2,386,135**	2,223,614	7.31
Equity attributable to equity shareholders of the Company	**16,258,446**	14,853,647	9.46
Total assets	**18,499,709**	17,206,867	7.51
Total liabilities	**1,750,315**	1,906,416	–8.19

1. Non-current assets and non-current liabilities

As at 31 December 2015, the non-current assets of the Group was RMB14.843 billion, representing an increase of 12.39% as compared with the end of the previous year, primarily due to an increase of interest in its associate and amounts from customers for construction contract work. Non-current liabilities of the Group were RMB480 million, representing an increase of 269.23% as compared with the end of the previous year, primarily due to the additions in the long-term loans of the Group during the year.

4. MANAGEMENT DISCUSSION AND ANALYSIS

2. Current assets and current liabilities

As at 31 December 2015, the current assets of the Group was RMB3,656 million, representing a decrease of 8.59% as compared with the end of the previous year, primarily because the Group accelerated the construction of certain projects and repaid some bank borrowings. Current liabilities of the Group were RMB1.270 billion, representing a decrease of 28.49% as compared with the end of the previous year, primarily due to the effect of the Group's repayment of short-term bank loans. Current ratio and debt to equity ratio (calculated by dividing total loans by total equity) were 2.88 and 0.03, respectively,as compared to 2.25 and 0.05 of the corresponding period of the previous year respectively.

3. Net current assets

As at 31 December 2015, net current assets of the Group were RMB2,386 million, representing an increase of RMB163 million as compared with the end of the previous year.

4. Equity attributable to equity shareholders of the Company

As at 31 December 2015, equity attributable to equity shareholders of the Group was RMB16.258 billion, representing an increase of 9.46% as compared with the end of the previous year, primarily due to the increase in interest in an associate attributable to the Group and profit from principal operations before taxation.

(III) LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, the Group's working capital mainly came from cash from daily operations and investments. The Group regularly monitored the liquidity needs to guarantee sufficient funds were available to meet short-term and long-term financial needs. As at December 31, 2015, the Group's cash and cash equivalents amounted to RMB2,332 million, with the main currencies being RMB, Hong Kong dollars and US dollars.

1. Bank loans

Item	At 31 December 2015 (RMB'000)	At 31 December 2014 (RMB'000)
Due within one year	50,000	670,000
Due after one year but within two years	—	130,000
Due after two years but within five years	480,000	—
Total	530,000	800,000

As at 31 December 2015, bank loans of the Group amounted to RMB530 million, representing a decrease of RMB270 million as compared with the end of the previous year, primarily due to the Group's repayment of bank loans during the year. As at 31 December 2015, the Group's bank loans were all denominated in RMB, and the interests of a large portion of loans were calculated at variable rates.

4. MANAGEMENT DISCUSSION AND ANALYSIS

2. Cash flow

Item	2015 (RMB'000)	2014 (RMB'000)
Net cash generated from operating activities	**65,020**	336,768
Net cash generated from/(used in) investing activities	**1,167,249**	(677,254)
Net cash used in financing activities	**(957,584)**	(1,299,392)
Net increase/(decrease) in cash and cash equivalents	**274,685**	(1,639,878)
Cash and cash equivalents at the beginning of the year	**2,057,583**	3,698,141
Effect of changes in foreign exchange rate on cash and cash equivalents	**–**	(680)
Cash and cash equivalents at the end of the year	**2,332,268**	2,057,583

Net cash generated from operating activities

During the Reporting Period, net cash generated from the operating activities of the Group amounted to RMB65.02 million, representing a decrease of RMB271.748 million as compared to that in the previous year. The decrease was mainly attributable to the increase in the cash used in the waste incineration projects, which caused the net cash generated from operating activities to decline.

Net cash generated from investing activities

During the Reporting Period, net cash generated from the investing activities of the Group amounted to RMB1,167.249 million, representing an increase of RMB1,844.503 million as compared to that in the previous year. The increase was mainly due to the Group's structured deposits which fell due successively during the year and the receipt of dividends from its associates.

Net cash used in financing activities

During the Reporting Period, net cash used in the financing activities of the Group amounted to RMB957.584 million, representing a decrease of RMB341.808 million as compared to that in the previous year, mainly due to decrease of net repayment of the Group's bank loans.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

At 31 December 2015, the Group's purchase commitments in connection with construction contracts were as follows:

Item	**At 31 December 2015 (RMB'000)**	At 31 December 2014 (RMB'000)
Contracted for	**209,427**	476,459
Authorized but not contracted for	**846,320**	510,600
Total	**1,055,747**	987,059

(V) 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.

(VI) CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 31 December 2015, the Group had no material pledge of assets.

(VIII) MATERIAL ACQUISITIONS OR DISPOSALS

As at 31 December 2015, the Group had no material investments, acquisitions or disposals.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(IX) HUMAN RESOURCES

The goal of the Group's human resources management is to reward and recognise the outstanding employees by providing them with agreeable salaries and welfare and implementing a comprehensive performance assessment scheme for their development and promotion within the Group. The Group arranges external training courses, seminars and technical courses for employees to enhance their professional knowledge and skills, their understanding of market development and management and operational skills.

As at 31 December 2015, the Group had approximately 1,141 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.

The Company adopted a share option scheme ("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 contribution to the Group. The Group has not granted any share option under the Share Option Scheme ever since its listing.

The images show the Lantern Festival Evening Party held by the Company

5. CORPORATE GOVERNANCE REPORT

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

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 ("**CG Code**") set out in Appendix 14 to the Listing Rules as the corporate governance code of the Company. The Board has confirmed that, except for the deviations disclosed in this annual report, the Company complied with the principles and code provisions of the CG Code to formulate its operation during the Reporting Period, 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.

The Company will regularly review and improve its corporate governance practices in order to be continuously in compliance with the CG Code.

(I) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

During the Reporting Period, the Company is 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.

5. CORPORATE GOVERNANCE REPORT

(II) THE BOARD

During the Reporting Period, the composition of the Board is as follows:

Name	Position
Mr. Guo Jingbin	Executive Director and Chairman of the Board
Mr. Ji Qinying (Note 1)	Executive Director and Chief Executive Officer
Ms. Zhang Mingjing	Non-executive Director
Mr. Li Jian	Executive Director and Deputy General Manager
Mr. Li Daming	Executive Director and Deputy General Manager
Mr. Chan Chi On (alias Derek Chan) (Note 1)	INED
Mr. Chan Kai Wing	INED
Mr. Lau Chi Wah, Alex (Note 1)	INED

Note:

1. Mr. Ji Qinying, Mr. Chan Chi On (alias Derek Chan) and Mr. Lau Chi Wah, Alex were re-elected as Directors at the 2015 Annual General Meeting.

Detailed biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this report.

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

Independence of INEDs

During the Reporting Period, the Board had complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, having at least three independent non-executive Directors (representing at least one-third of the Board) with at least one of whom possessing appropriate professional qualifications, or accounting and related financial management expertise. The Company has received written annual confirmations from the INEDs, namely Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, on their independence pursuant to Rule 3.13 and the Company considers all INEDs are independent. The three INEDs have duly performed their duties, protected shareholders' interests independently and objectively, and provided checks and balances in the decision-making of the Board in accordance with relevant laws and regulations.

According to Code Provision A.1.1 of the CG Code, the board of directors of any listed company should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board had held four meetings during the first three quarters, two of which were routine meetings to approve of the final results for the year ended 31 December 2014 and the interim results for the six months ended 30 June 2015. In 2016, the Company will hold one Board meeting for each quarter regularly to comply with Code Provision A.1.1 of the CG Code to discuss and, where applicable, approve matters in relation to, among other things, operating strategies, external expansion, financial planning.

5. CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the meetings of the Board, the audit committee and the remuneration and nomination committee and the general meetings are set forth as below:

	Number of attendance/Number of meetings during term of office			
Name of Director	**Board Meeting**	**Audit Committee**	**Remuneration and Nomination Committees**	**Annual General Meeting**
Mr. Guo Jingbin	4/4	N/A	N/A	1/1
Mr. Ji Qinying	4/4	N/A	1/1	1/1
Ms. Zhang Mingjing	4/4	N/A	1/1	1/1
Mr. Li Jian	4/4	N/A	N/A	1/1
Mr. Li Daming	4/4	N/A	N/A	1/1
Mr. Chan Chi On (Alias Derek Chan)	4/4	2/2	1/1	1/1
Mr. Chan Kai Wing	4/4	2/2	1/1	0/1
Mr. Lau Chi Wah, Alex	4/4	2/2	1/1	0/1

During the year, the Chairman met with the INEDs without executive Directors present.

For the year ended 31 December 2015 the Board had also passed four written resolutions.

(III) FUNCTIONS AND OPERATION OF THE BOARD AND MANAGEMENT

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

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

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

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

5. CORPORATE GOVERNANCE REPORT

(IV) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

On 24 September 2015, part of the senior management of the Company participated in the training seminar held by the Stock Exchange regarding the latest developments in the compliance matters for the Listing Rules, as well as the requirements and highlights concerning internal control and the new "Environmental, Social and Governance Reporting Guide", and the related written information was delivered to the Directors of the Company to ensure that the Directors are timely briefed about important amendments to the Listing Rules. The Company properly arranges continuous professional training and development programs for the Directors by various ways, like providing seminars, learning materials, etc.

In compliance with the requirements of Code Provision A.6.5 of the CG Code, all Directors are consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

(V) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer of the Company should be divided. In other words, the duties and responsibilities of the Chairman to manage the Board should be clearly separated from those of the Chief Executive Officer to manage the business operation of the Company.

In order to have clear division of the duties between the Chairman of the Board and the Chief Executive Officer of the Company (i.e. general manager), Mr. Guo Jingbin and Mr. Ji Qinying has been appointed as the Chairman of the Board and the Chief Executive Officer (i.e. general manager) of the Company respectively. Mr. Guo Jingbin is mainly responsible for formulating the overall strategic development of the Group, leading the Board and ensuring the effectiveness of the Board when performing his duties as the Chairman of the Board. Mr. Ji Qinying is mainly responsible for the daily operation and management of the Company and the implementation of the Board's resolutions, strategies, plans and business targets of the Company.

(VI) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

As at the date of this report, the Company has entered into service contracts with all executive Directors and appointment letters with the non-executive Director and all INEDs respectively, all for a term of not more than three years. Such appointment may be terminated by not less than three months' written notice from either party.

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Retiring Directors are eligible to offer themselves for re-election. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment but as between persons who became Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. Any Director appointed by the Board to fill up temporary positions or to be new members of the Board shall hold office only until the next following general meeting and shall then be eligible for re-election at the meeting.

Hence, Mr. Li Daming, Mr. Li Jian and Mr. Chan Kai Wing will retire at the forthcoming 2016 Annual General Meeting following a decision made by Directors of the Company. All retiring Directors are eligible and willing for re-election.

(VII) COMMITTEES OF THE BOARD

The Board of the Company has established two committees, namely the Audit Committee and the Remuneration and Nomination Committee and formulated the relevant written terms of references for overseeing particular aspects of the Company's affairs. The terms of reference of all committees under the Board are in writing. The terms of reference of the committees of the Board are posted on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.conchventure.com) and are available to Shareholders.

1. Audit Committee

(1) Members

The Audit Committee comprises the three INEDs and their positions are as follows:

Name	Position
Mr. Chan Chi On	Chairman
Mr. Chan Kai Wing	Member
Mr. Lau Chi Wah, Alex	Member

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

The terms of reference of the Audit Committee clearly defines the duties and rules of the committee. In accordance with the terms of reference of the Audit Committee of the Board, the chairman of the committee shall be an INED.

(2) Summary of Functions and Works

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

5. CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2015, the work done by the Audit Committee was set forth as below:

a. reviewed the audited consolidated annual results for the year ended 31 December 2014 and the interim results for the period ended 30 June 2015, together with the announcement and documents related to the results, and other matters or issues as proposed by the external auditor;

b. reviewed the audit results as submitted by the external auditor;

c. reviewed the independence of the external auditor and consider the appointment of an external auditor for the annual audit services;

d. reviewed the effectiveness of the internal control system of the Group, including all material controls in particular financial, operational, and compliance controls and risk management functions;

e. reviewed and approved of continuing connected transactions of the Group;

f. supervised, improved, reviewed and regulated risk management of listed issuers; and

g. reviewed and recommended the Board to approve the amendments of the terms of reference of the Audit Committee to adopt the main amendments regarding the risk management and internal control in "CG Code".

2. Remuneration and Nomination Committee

(1) Members

The Remuneration and Nomination Committee comprises the Chief Executive Officer, the non-executive Director, and the three INEDs of the Company, and their positions are as follows:

Name	Position
Mr. Lau Chi Wah, Alex	Chairman
Mr. Ji Qinying	Member
Mr. Chan Chi On	Member
Mr. Chan Kai Wing	Member
Ms. Zhang Mingjing	Member

The terms of reference of the Remuneration and Nomination Committee of the Company clearly defines the duties and rules of the committee. In accordance with the terms of reference of the Remuneration and Nomination Committee of the Board, the chairman of the committee shall be an INED.

5. CORPORATE GOVERNANCE REPORT

(2) Summary of Functions and Work

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

As the Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, the Board adopts the board diversity policies, whereby setting forth principles adopted to realize the board diversity. In determining the optimal composition of the Board, the Company takes into consideration differences in the skills, regional and industry experience, background, race, gender, and other qualities. The Remuneration and Nomination Committee annually discusses and approves of the measurable targets that promote the board diversity, and recommends that the Board should adopt such measurable targets.

The Company has formulated measurable targets for the board diversity policy:

(a) At least 80% of board members have college education background;

(b) At least 60% of board members had obtained accounting or other professional qualifications;

(c) At least 80% of board members have relevant working experiences in China; and

(d) at least one third of the board members are INEDs.

As at the date of this annual report, the Company had achieved the above targets. The Remuneration and Nomination Committee will regularly review the relevant policies and the measurable targets to ensure the diversity of the Board.

5. CORPORATE GOVERNANCE REPORT

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

For the year ended 31 December 2015, the work done by the Remuneration and Nomination Committee was set forth as below:

a. reviewed the remuneration policies and structure of the Directors and senior management of the Company;

b. reviewed and evaluated the independence of the INEDs;

c. reviewed the structure, number, and composition of the Board (including the skills, knowledge, and experience);

d. discussed the composition of the Board from the aspect of diversity, and implemented the board diversity targets; and

e. reviewed and approved of the resolutions on the re-election of Directors.

(VIII) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board has reviewed the corporate governance policies and practices of the Company, the training and continuous professional development of the Directors and senior management, the policies and practices of the Company on compliance with legal and regulatory requirements, the compliance by the Directors and employees of the Model Code and Securities Dealing Code, and the compliance of the Company with the CG Code and the disclosure in this corporate governance report.

The image shows the scene of the board meeting held by the Company

(IX) AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 67 to 68.

The remuneration paid or payable to KPMG, the auditor, for the year ended 31 December 2015 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services — audit fee for 2015	1,887
Non-audit services	–
Total	1,887

(X) DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year and for ensuring that the financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flow of the Group in the year. During the preparation of the financial statements for the year ended 31 December 2015, the Board has adopted suitable accounting policies and ensured consistent application of such accounting policies , made prudent, fair and reasonable judgements and estimates, and prepared the accounts on a going concern basis. The Directors believe after making reasonable inquiries that the Group has sufficient fund to meet the constant operations in the foreseeable future, therefore the ongoing basis is suitable for the preparation of the financial statements.

5. CORPORATE GOVERNANCE REPORT

(XI) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully in charge of the risk management and internal control systems of the Group so as to protect the investments of the Shareholders of the Company and the assets of the Group. During the year, the Board had complied with the code provisions regarding risk management and internal control as set out in the CG Code. The Group had formulated appropriate risk management and internal control systems, so as to comprehensively, accurately and timely record accounting, risk management and managing information, and to review the function of such systems through the Audit Committee annually. The systems are created for some management risks which may be caused by the fact that certain business targets are not achieved. They will only make reasonable but not absolute assurances for any misrepresentations or losses which are not material. The Board will continue to monitor the risk management and internal control systems of the Company, and review the effectiveness of the risk management and internal control systems annually which will be considered effective and sufficient. At the meeting of the Audit Committee held on 23 March 2015, the Audit Committee had examined the effectiveness of the risk management and internal control system of the Group, including controls of all important aspects especially financial control, operation control, compliance control, and risk management, and consider the adequacy of resources, staff qualifications and experience, training programmes in respect of the Company's accounting and financial reporting function. The Group will continue to enhance its internal control system so as to ensure the effectiveness of the internal control system and risks identification and prevention, thereby providing reasonable protection to the effective operation of the Group.

(XII) JOINT COMPANY SECRETARIES

Mr. Shu Mao has been appointed as the internal joint company secretary of the Company.

The Company has appointed Ms. Ng Sin Yee, Clare of Tricor Services Limited as the external joint company secretary. Mr. Shu Mao (as the internal joint company secretary of the Company) is the primary contact person between the Company and Ms. Ng Sin Yee, Clare.

Pursuant to Rule 8.17 of the Listing Rules, the Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, the Company must appoint an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary as its company secretary.

As the qualifications of Mr. Shu Mao do not satisfy the requirements as stipulated in Rule 3.28 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Shu Mao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Shu Mao has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

During the year ended 31 December 2015, Mr. Shu Mao and Ms. Ng Sin Yee, Clare had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

(XIII) SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

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

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

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

Address:	No. 1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	shumao@conch.cn
Attention:	The Board of Directors/Company Secretary

3. The EGM shall be held within two months after the deposit of such requisition.

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

Procedures for raising enquiries

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

   Computershare Hong Kong Investor Services Limited

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

5. CORPORATE GOVERNANCE REPORT

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

Address:	N0. 1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	shumao@conch.cn
Tel:	86-553-8399050/8399135
Fax:	86-553-8399065
Attention:	The Board of Directors/Company Secretary

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

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

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

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

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

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

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

   (2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company at an extraordinary general meeting of the Company;

   (3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company at an extraordinary general meeting of the Company.

5. CORPORATE GOVERNANCE REPORT

At the Annual General Meeting held by the Company on 26 May 2015, all resolutions were approved by the Shareholders by vote. The resolutions in relation to the payment of final dividends, re-election of retiring Directors, and re-election of auditors were approved at the 2015 Annual General Meeting of the Company.

(XIV) CONSTITUTIONAL DOCUMENTS

During the Reporting Period, no change has been made to the Articles of Association of the Company. The latest version of the Articles of Association is available on the websites of the Company (www.conchventure.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

(XV) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Address:	**Office and Correspondence Address:** No. 1011 Jiuhua South Road, Yijiang District, Wuhu City, Anhui Province, China **Representative Office in Hong Kong:** Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Tel No.:	86-553-8399050/8399135
Fax No.:	86-553-8399065
Email:	hlcy@conch.cn

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

(XVI) NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

For details, please refer to the section headed "Report of the Directors — (28) Non-Compete Undertakings by Controlling Shareholders".

6. REPORT OF THE DIRECTORS

The Board of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

(1) PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Details of the activities of the subsidiaries of the Company are set out in notes 3 and 15 to the financial statements.

The business review and the discussion of future business development of the Group, as well as the analysis of the performance of the Group based on the key financial performance indicators have been set out on pages 8 to 13 of the "Business Review and Outlook" section and pages 14 to 23 of the "Management Discussion and Analysis" section in this Annual Report respectively. These information forms part of the Report of the Directors.

The Company or the Group does not have any material subsequent events occurring after 31 December 2015.

(2) BUSINESS MODELS AND STRATEGIES

The Group's principal activities consist of three major segments, namely energy-saving, environmental-protection and new building materials. The Group has abundant experience in the residual heat power generation industry; cooperated with Kawasaki HI to develop and create an innovative solution for waste incineration, which marked the world's first successful attempt, and is able to effectively deal with the two secondary sources of pollution arising from the traditional waste incineration, namely dioxins and heavy metals. In addition, with the advanced technologies introduced from Europe, the Company has set up two production bases in Wuhu and Bozhou, Anhui Province for the production and sale of new energy-saving wall materials such as fiber cement boards.

To consolidate its position as a leading integrated supplier of energy-saving and environmental-protection solutions, the Group has implemented the following strategies: (i) expanding and further developing the end markets for waste incineration solutions; (ii) expanding the application of residual heat power generation solutions, (iii) accelerating the development of new building materials business; and (iv) making selective prudent acquisitions, to complement the business composition.

(3) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

The Group fully understands that staff, customers and suppliers are keys to the Group's sustained and steady development. The Group is committed to working closely with the Group's staff, and to combining the Group's efforts with suppliers, to providing our customers with quality products and services, so as to achieve sustainable development.

The Group has always attached significant importance to the development of human resources, providing its employees with competitive remuneration and benefits, as well as a variety of training programmes, including internal training and refresher courses provided by professional agencies, so as to make them understand the market, industry and the latest developments in our businesses. The Group recruits graduates from vocational schools, Colleges and universities across the country through a variety of channels.

The Group has many ways to ensure smooth communication with its customers, so as to provide high-quality customer services, accelerate market penetration and expand our businesses. The Group attaches great importance to the opinions of our customers, so we know their thoughts by such means as daily communication, after-sales visits and customer satisfaction surveys. The Group has also assigned dedicated staff for the maintenance of customer relationships who are in charge of dealing with customer feedback and complaints.

It is essential for the Group to maintain good relations with those key service providers in the supply chain and especially when the Group faces challenges and regulatory requirements, which has turned out to be cost effective and can boost long-term business interests. Our main service providers include systems and equipment suppliers, construction engineering companies, external consultants which provide professional services and other business partners which provide value-added services.

(4) RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 of this annual report.

6. REPORT OF THE DIRECTORS

(5) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 25 to the financial statements and the consolidated statement of changes in equity on page 73 of this report.

As at 31 December 2015, the Company's reserves available for distribution to its shareholders amounted to approximately RMB2,161.2 million (31 December 2014: RMB2,748.3 million).

The Directors recommend the distribution of final dividend of HK$0.3 per share for the year ended 31 December 2015 (2014: HK$0.4 per share) to the Shareholders.

Subject to the approval of shareholders at the 2016 Annual General Meeting of the Company to be held on 21 June 2016, the above proposed final dividend will be paid to the shareholders whose names appear on the Share register as at 24 June 2016. The proposed final dividends will be paid on 12 July 2016.

(6) USE OF PROCEEDS FROM LISTING AND CHANGE IN USE OF PROCEEDS

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).

In order to utilise the net proceeds of the global offering in a more effective way and to facilitate efficient allocation of the Company's financial resources, and having considered changes in the operating environment, the Board of Directors held a meeting on 23 September 2015 to review the utilisation of the net proceeds of the global offering and resolved to change the use of net proceeds. The Board of Directors resolved that the Group will terminate the operation of wood wool cement boards projects and the Net Proceeds originally intended to be used for the construction of production facilities of wood wool cement boards in Wuhu and Bozhou would be reallocated for carrying out refuse and solid waste treatment projects. As to the amount originally intended for repayment of shareholder's loan owing to HLGH Investment, as there is remaining balance after repayment of the shareholder's loan, the remaining balance will be used as repayment of loans and borrowings of the Group. For details, please refer to the announcement of the Company dated 23 September 2015.

6. REPORT OF THE DIRECTORS

The net proceeds of the Global Offering amounted to approximately HK$3,968.3 million (approximately RMB3,118.9 million). As at 31 December 2014, the cumulative amount of net proceeds utilised by the Company was approximately RMB1,029.5 million, with the remaining balance of proceeds amounting to RMB2,089.4 million. During the Reporting Period, the Company further utilised approximately RMB885.1 million in the following way set out in the table below.

Usage	**Utilised amount in 2015** (RMB million)	**Balance as at 31 December 2015** (RMB million)	**Actual business progress for the year ended 31 December 2015**
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province	22.4	703.5	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	24.1	169.5	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	783.1	289.9	Construction and operation of waste incineration projects in Jinzhai, Anhui Province and Qiyang, Hunan etc.
Repayment of loans and borrowings	21.2	Nil	Loans repaid
General corporate purposes	34.3	41.4	
	885.1	1,204.3	

As at 31 December 2015, the Company has used approximately RMB1,914.60 million of the net proceeds, with RMB1,204.30 million remaining. The balance was deposited in the banks and financial institutions recognised in Hong Kong and the PRC.

6. REPORT OF THE DIRECTORS

(7) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2015, the property, plant and equipment of the Group amounted to approximately RMB998.15 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 12 to the financial statements.

(8) SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 15 and 16 to the financial statements.

(9) SHARE CAPITAL (AS AT 31 DECEMBER 2015)

The Company was incorporated in the Cayman Islands as an exempted company on 24 June 2013 under the Companies Law of the Cayman Islands. The authorised share capital of the Company on incorporation was HK$15,000,000, divided into 1,500,000,000 Shares of a nominal value of HK$0.01 each. Details of the Company's capital structure are set out in Note 25(c) to the financial statements.

As at 31 December 2015, the Company had 1,804,750,000 ordinary shares in issue.

(10) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As disclosed in the announcements of the Company dated 28 May 2015 and 19 June 2015 respectively (collectively, the "Announcements"), some Shareholders (including Controlling Shareholders) distributed the Shares held by them to the beneficiaries of the relevant trusts in accordance with the arrangement of the trusts. Capitalised terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, the respective trustees of the SA Trusts commenced the implementation of the Distributions in June 2015 in accordance with the terms of the respective trust deeds of the SA Trusts. As at 19 June 2015, 961,278,594 Shares have been distributed to the relevant fixed beneficiaries of the HLGH Fixed Trust, the NGGH Trust, the BMGH Trust and the XCGH Trust, while 85,101,075 Shares under the HLGH Discretionary Trust have been distributed to some of the HLGH Discretionary Objects. As at the aforesaid date, HLGH Fixed Investment was interested in 12,442,784 Shares, while HLGH Investment held 66,749,556 Shares which in aggregate represented approximately 4.39% of the total issued Shares.

In light of the above, the Company does not have any substantial Shareholder who holds more than 5 % of its issued Shares since 19 June 2015.

As at 31 December 2015, the Directors were not aware of any other persons other than the Directors and chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

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

As at 31 December 2015, 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	Capacity/nature of interests	Number of shares (note 1)	Percentage shareholding (%)
Mr. Guo Jingbin (note 2)	Interest of controlled corporation	62,680,000	3.47
Mr. Ji Qinying (note 3)	Interest of controlled corporation	61,080,000	3.38
	Interest of spouse (note 3)	33,752	0.002
	Total	**61,113,752**	**3.382**
Mr. Li Jian (note 4)	Beneficial owner	7,646,370	0.42
	Interest of spouse (note 4)	105,346	0.006
	Total	**7,751,716**	**0.426**
Mr. Li Daming (note 5)	Beneficial owner	6,112,563	0.34
Ms. Zhang Mingjing (note 6)	Beneficial owner	17,457,675	0.97
	Interest of spouse (note 6)	32,020,909	1.77
	Total	**49,478,584**	**2.74**

Note:

1. All shareholdings are in long positions.
2. These shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.
3. 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 Zi.
4. Mr. Li Jian was a fixed beneficiary of the HLGH Fixed Trust and is the beneficial owner of the shares upon distribution of the trust shares. As Ms. Wang Zhenying is the spouse of Mr. Li, Mr. Li is taken to be interested in the shares held by Ms. Wang.
5. Mr. Li Daming was a fixed beneficiary of the HLGH Fixed Trust and is the beneficial owner of the shares upon distribution of the trust shares.
6. Ms. Zhang Mingjing is a fixed beneficiary of the HLGH Fixed Trust and is the beneficial owner of the shares upon distribution of the trust shares. As Mr. Zhu Zhongping is the spouse of Ms. Zhang, Ms. Zhang is taken to be interested in the shares held by Mr. Zhu through his controlled corporation, Confluence.

6. REPORT OF THE DIRECTORS

B. Associated Corporations

Name of Directors	Name of Associated Corporation	Number of Shares (A shares)	Percentage shareholdings (%)	Capacity/nature of interests
Mr. Li Jian	Conch Cement	100,000	0.003	Beneficial owner
Mr. Li Daming	Conch Cement	200,000	0.005	Beneficial owner

3. Interests and Short Positions of Senior Management

As at 31 December 2015, interests of the senior management of the Company were as follows:

Name of senior management	Capacity/nature of interests	Number of Shares (note 1)	Percentage shareholding (%)
Mr. Wang Xuesen (note 2)	Beneficial owner	4,125,418	0.23

Note:

1. All shareholdings are in long positions.

2. Mr. Wang Xuesen was a fixed beneficiary of the HLGH Fixed Trust and is the beneficial owner of the shares upon distribution of the trust shares.

Save as disclosed above, as at 31 December 2015, 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.

(11) MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the largest customer of the Group and the sales to the five largest customers of the Group in aggregate accounted for 16.49% and 48.64% of the total sales of the Group respectively.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 6.33% and 23.08% of the total procurement of the Group respectively.

As at 31 December 2015, interests held by Mr. Li Jian and Mr. Li Daming, both being executive Directors, in Conch Cement, the largest customer of the Group, were as follows:

Name of Directors	Largest customer	Number of shares (A share)	Percentage shareholding (%)	Capacity/nature of interests
Mr. Li Jian	Conch Cement	100,000	0.003	Beneficial owner
Mr. Li Daming	Conch Cement	200,000	0.005	Beneficial owner

To the best knowledge of the Directors, save as disclosed above, none of the other Directors, their close associates or shareholders who held 5% or more of the issued share capital of the Company as at 31 December 2015 had any interests in the five largest customers and suppliers of the Group disclosed above.

6. REPORT OF THE DIRECTORS

(12) 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.

(13) MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors believed that during the year under review and as at the date of this annual report, the Company has maintained the level of public float as required by the Stock Exchange and the Listing Rules.

(14) EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had approximately 1,141 employees. The following table shows a breakdown of the employees by functions as at 31 December 2015.

Functions	Number
Production and Operation	869
Management	119
Finance and Administration	38
Others	115
Total	1,141

The remuneration of the Group's employees is based on qualifications, experience, work performance and market conditions. In accordance with the social insurance regulations of China, the Group participates in the social insurance schemes operated by the relevant local government authorities, including retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

The Company has adopted a share option scheme (details are set out in (24) Share Option Scheme of this section), so that the Group may grant options to selected participants as incentives or rewards for their contribution to the Group.

6. REPORT OF THE DIRECTORS

(15) DIRECTORS (DURING 2015 AND UP TO THE DATE OF THIS REPORT)

Name	Post	Date of appointment
Mr. Guo Jingbin	Executive Director, Chairman	Appointed on 24 June 2013
Mr. Ji Qinying (note 1)	Executive Director, Chief executive officer	Appointed on 18 July 2013
Ms. Zhang Mingjing	Non-executive Director	Nominated on 21 May 2014
Mr. Li Jian	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Li Daming	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Chan Chi On(note 1)	INED	Appointed on 3 December 2013
Mr. Chan Kai Wing	INED	Appointed on 3 December 2013
Mr. Lau Chi Wah, Alex (note 1)	INED	Appointed on 3 December 2013

Note:

1. Mr. Ji Qinying, Mr. Chan Chi On and Mr. Lau Chi Wah, Alex were re-elected as Directors at the 2015 Annual General Meeting.

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

Pursuant to the Articles of Association, Mr. Li Jian, Mr. Li Daming, Alex, and Mr. Chan Kai Wing shall retire at the forthcoming 2016 Annual General Meeting. All the above retiring Directors are eligible for re-election.

(16) DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Saved as disclosed in this annual report, during the Reporting Period, none of the directors had any material interests, direct or indirect, in any transactions, arrangements or contracts entered into by the Company, its holding company or any of its subsidiaries or fellow subsidiaries which was significant to the business of the Group.

None of the Directors proposed to be re-elected at the forthcoming annual general meeting had entered into any service contract with the Company or any of its subsidiaries which was not determinable within one year without payment of compensation (other than statutory compensation).

6. REPORT OF THE DIRECTORS

(17) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the date of issue of this annual report, as far as the Directors are concerned, none of the Directors or their respective close associates had any interests in any business which competes or is likely to compete (either directly or indirectly) with the business of the Group.

(18) DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

Details of Directors' remuneration and the five highest paid individuals of the Company during the Reporting Period are set out in notes 9 and 10 to the financial statements.

(19) THE BOARD AND BOARD COMMITTEES

As at 31 December 2015, the Board comprised eight Directors. The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

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

(20) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, Mr. Zhu Zhongping has resigned as chief accountant of the Company due to personal reasons, which has been approved by the Board and took effect from 21 August 2015.

Save as disclosed above, there were no other changes in the Directors and senior management of the Company.

(21) MANAGEMENT CONTRACT

Save for the service contracts of the executive Directors and senior management of the Company, during the Reporting Period, the Company had not entered into any contract with any individual, company or legal entity for management and administration of the whole or any substantial part of the business of the Company.

(22) CONNECTED TRANSACTIONS

1. Connected Persons

As disclosed in the announcements of the Company dated 28 May 2015 and 19 June 2015 respectively (collectively, the "Announcements"), some Shareholders (including Controlling Shareholders) distributed the Shares held by them to the beneficiaries of the relevant trusts in accordance with the arrangement of the trusts. Capitalised terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, the respective trustees of the SA Trusts commenced the implementation of the Distributions in June 2015 in accordance with the terms of the respective trust deeds of the SA Trusts. As at 19 June 2015, 961,278,594 Shares have been distributed to the relevant fixed beneficiaries of the HLGH Fixed Trust, the NGGH Trust, the BMGH Trust and the XCGH Trust, while 85,101,075 Shares under the HLGH Discretionary Trust have been distributed to some of the HLGH Discretionary Objects. As at the aforesaid date, HLGH Fixed Investment was interested in 12,442,784 Shares, while HLGH Investment held 66,749,556 Shares which in aggregate represented approximately 4.39% of the total issued Shares.

In light of the above, Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment have ceased to be the Company's controlling shareholders and are no longer connected persons of the Company since 19 June 2015; accordingly, CV Investment, a company controlled by Mr Liu Yi, and its subsidiaries (including but not limited to Conch IID Shanghai, Conch Property Management and Conch Heat Energy) are no longer connected persons of the Company from the same date. For the purpose of clarification, the transactions occurring between the Group (as a party) and CV Investment and its subsidiaries (as the other party) during the period from 1 January 2015 to 19 June 2015 are still connected transactions of the Company.

The period from 1 January 2015 to 19 June 2015, Mr. Liu Yi was the controlling shareholder of the Company as well as the actual controller of CV Investment, and therefore was a connected person of the Company within the meaning of Rule 14A.11(4) of the Listing Rules.

Conch IID Shanghai is owned as to 70% by CV Investment, Conch Property Management is a wholly owned subsidiary of CV Investment, and CTPE is a wholly owned subsidiary of Conch Venture Property, which is a wholly owned subsidiary of CV Investment, accordingly, Conch IID Shanghai, Conch Property Management and CTPE are all connected persons of the Company under Chapter 14A of the Listing Rules.

Kawasaki HI holds 49% equity interests in each of CK Engineering and CK Equipment, both are indirect non-wholly owned subsidiaries of the Company. As Kawasaki HI holds more than 30% equity interests in each of CK Engineering and CK Equipment, it is a connected person of the Company under Chapter 14A of the Listing Rules.

6. REPORT OF THE DIRECTORS

CKEM is an entity jointly controlled by Kawasaki HI (which is, as mentioned above, a substantial shareholder of non-wholly-owned subsidiaries of the Company) and Conch Cement, each of them holding 50% equity interests. As CKEM is an associate of Kawasaki HI and more than 30% of its equity is held by Kawasaki HI, it is a connected person of the Company under Chapter 14A of the Listing Rules.

The respective dates of establishment and principal businesses of Conch IID Shanghai, CV Investment, Conch Property Management, CTPE, Kawasaki HI and CKEM are as follows:

Name of Connected Person	Date of Establishment	Principal Business
Conch IID Shanghai (note 1)	20 December 2005	Provision of trading and business advisory services
CV Investment (note 1)	5 November 2002	Investment holding
Conch Property Management (note 1)	14 February 2007	Office and residential property management
Conch Heat Energy (note 1)	6 July 2011	Design, installation, construction management, technical services, and consultation services in relation to energy-saving engineering, industry, and civil construction projects
Kawasaki HI	9 October 1896	Manufacture of a wider range of technological products, including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures
CKEM	21 May 1997	Design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment

Note:

1. ceased to be a connected person of the Company since 19 June 2015.

Pursuant to the Listing Rules, details of the connected transactions of the Group during the Reporting Period are as follows:

2. Continuing connected transactions

(1) Transactions with Conch IID Shanghai

On 3 December 2013, the Group (through CK Engineering and CK Equipment (collectively, the "**CK Subsidiaries**")) entered into a master agreement ("**CIS Master Agreement**") with Conch IID Shanghai, pursuant to which the Group purchases equipment, parts and materials (including steel pipes and welding wire) from Conch IID Shanghai for the Group's abrasion resistant plate and surfacing welding business and the production of residual heat boiler. In addition, Conch IID Shanghai provides export agency services to the Group and charges an agency fee of 1.5% of the value of the orders. The agreement is valid from 1 December 2013 to 31 December 2015.

The considerations of the orders placed under the CIS Master Agreement were determined with reference to the prevailing market prices of similar products which may be sourced from other independent third parties on arm's length basis and in good faith.

During the period from 1 January 2015 to 19 June 2015, the aggregate actual transaction amount for the transactions under the CIS Master Agreement was RMB28.878 million, which did not exceed the annual cap of RMB 64.50 million for this year.

(2) Transactions with CV Investment and Conch Property Management

The Group leases office and staff quarters from CV Investment and commissions Conch Property Management to provide property management services under the following lease and property management services agreements ("**Lease & PM Agreements**").

Lease of office and staff quarters

On 1 July 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into office lease agreements with CV Investment respectively. The leased premises are located at Wuhu Conch International Convention Centre, No. 1011 Jiuhua South Road, Wuhu City and have leasable areas of 7,317 sq.m. and 3,633 sq.m. respectively. The agreed annual rentals are RMB1,232,214 and RMB607,116 respectively. The leases are effective from 1 July 2013 until 30 June 2015.

On 1 June 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into staff quarters lease agreements with CV Investment respectively. Both leased premises are located at Conch Youth Apartment, No. 1011 Jiuhua South Road, Wuhu City and have leasable areas of 2,361 sq.m.. The agreed annual rentals for both lease agreements are RMB368,316 respectively. The leases are effective from 1 June 2013 until 31 May 2015. On 1 June 2015, CK Engineering and CK Equipment renewed staff quarters lease agreements with CV Investment respectively, which are effective from 1 June 2015 to 31 December 2015. The agreed rentals for both lease agreements are RMB214,851 respectively.

6. REPORT OF THE DIRECTORS

Property management services for office, staff quarters and production plant

On 1 July 2013, each of the CK Subsidiaries entered into property service agreements for offices with Conch Property Management. The agreed annual fees are RMB246,443 and RMB109,281 respectively. The agreements are effective from 1 July 2013 until 30 June 2015.

On 1 June 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into property service agreements for staff quarters with Conch Property Management respectively. The agreed annual fees for both service agreements are RMB56,664 respectively. The agreements are effective from 1 June 2013 until 31 May 2015. On 1 June 2015, CK Engineering and CK Equipment, subsidiaries of the Group, renewed property service agreements for staff quarters with Conch Property Management respectively, which are effective from 1 June 2015 to 31 December 2015. The agreed fees for both services agreements are RMB33,054 respectively.

On 1 January 2015, CK Equipment, a subsidiary of the Group, entered into a property service agreement for production plants with Conch Property Management. The agreed annual fee is RMB1,449,277. The agreement is effective from 1 January 2015 until 31 December 2015.

The contract amounts of the above leases were determined with reference to market rentals of similar properties in the locality. The historical rentals and rentals to be paid to CV Investment as well as the annual rental caps in connection with the properties under the above lease agreements are comparative to market level of similar properties in the locality and are fair and reasonable.

As disclosed in the announcement of the Company dated 31 December 2014, the Group revised the annual cap for the transactions in respect of the leasing of office and staff quarters from CV Investment and the property management service provided by Conch Property Management from RMB4.3 million to RMB4.5 million. For the period from 1 January 2015 to 19 June 2015, the actual transaction amounts for the transactions mentioned above was RMB1,741,600.

On 30 December 2014, CK Equipment, Conch Venture Green and Bozhou CV Green, subsidiaries of the Group, entered into Greening Service Agreements respectively with Conch Property Management. In 2015, the annual cap for the continuing connected transactions under the Greening Service Agreements was RMB1.02 million. For the period from 1 January 2015 to 19 June 2015, the actual transaction amounts for the transactions mentioned above was RMB440,500.

(3) Transactions with Kawasaki HI

On 30 March 2015, the Group (through the CK Subsidiaries) entered into an agreement ("**Kawasaki Master Agreement**") with Kawasaki HI, whereby the CK Subsidiaries and Kawasaki HI agreed to (i) provide to the other party certain design services and technical assistance; and (ii) supply to the other party equipment, parts and products related to, among other things, residual heat power generation. The annual cap for the transactions contemplated under the Kawasaki Master Agreement for the year ended 31 December 2015 is RMB39.40 million.

According to the Kawasaki Master Agreement, the price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favourable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

During the Reporting Period, the actual transaction amount of the above transactions contemplated under the Kawasaki Master Agreement was RMB6.2710 million, which did not exceed the annual cap of RMB39.40 million for this year.

(4) Transactions with CKEM

On 30 March 2015, the Group (through the CK Subsidiaries) entered into an agreement ("**CKEM Master Agreement**") with CKEM, whereby the CK Subsidiaries have agreed to supply waste parts, processing services and leasing of certain equipment to CKEM, while CKEM have agreed to supply certain equipment and products, processing services and leasing of certain equipment to the CK Subsidiaries. The annual cap for the transactions contemplated under the CKEM Master Agreement for the year ended 31 December 2015 is RMB44.20 million.

According to the CKEM Master Agreement, the price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favourable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

During the Reporting Period, the actual amount of the above transaction under the CKEM Master Agreement was RMB19.0729 million, which did not exceed the annual cap of RMB44.20 million for this year.

6. REPORT OF THE DIRECTORS

3. Connected Transaction: Equipment Supply Contract

On 26 March 2014, an equipment supply contract ("**Equipment Supply Contract**") was entered into between CK Engineering (a subsidiary of the Group) and Kawasaki HI. Under the Equipment Supply Contract, Kawasaki HI agreed to purchase and CK Engineering agreed to supply certain equipment and spare parts, including but not limited to thermodynamic equipment, coal feeder, desulphurization system and chemical water treatment, in connection with certain project of construction of power plants in Myanmar.

The contract price payable under the Equipment Supply Contract was approximately US$43.8 million (equivalent to approximately HK$339.9 million). The contract price was determined by both parties thereto with reference to (1) the procurement cost of the raw materials and parts for manufacture of the equipment; (2) the then prevailing market prices of similar equipment and spare parts which may be available to other suppliers (Independent Third Parties); (3) the reasonable profit margin determined at the profit margin of CK Engineering for the previous financial year; and (4) the allocations of cost, insurance and freight at the relevant port at Myanmar in accordance with Incoterms 2010.

During the Reporting Period, the actual transaction amount of the transaction under the Equipment Supply Contract was RMB183.7821 million. The Equipment Supply Contract and the transactions contemplated thereunder were approved by the independent shareholders of the Company.

For further details, please refer to the announcement of the Company 26 March 2014 in relation to, among other things, the Equipment Supply Contract.

4. Connected Transactions exempted from reporting, announcement and independent shareholders' approval requirements

(1) Engineering Technology Consultation Agreement with CTPE

On 12 April 2014, an engineering technology consultation agreement was entered into between Bozhou CV Green (a subsidiary of the Group) and CTPE. Under the engineering technology consultation agreement, CTPE agreed to provide consultation services in relation to the project of cellulose cement autoclaved boards (phase I) of Bozhou CV Green, including construction management, engineering exploration, civil construction and supervision and other invitation and discussion work. The term of the agreement was in line with the cycle of the construction of the project.

The contract price payable under the engineering technology consultation agreement was approximately RMB1.08 million. As the relevant percentage ratios in respect of the agreement were less than 0.1%, the transactions contemplated under this agreement constituted continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

From 1 January 2015 to 19 June 2015, the actual transaction amount of the above transaction contemplated under the engineering technology consultation agreement was RMB301,800.

On 28 April 2015, Conch Venture Green, a subsidiary of the Group entered into engineering technology consultation agreement with CTPE. Under the engineering technology consultation agreement, CTPE agreed to provide consultation services in relation to the project of cellulose cement autoclaved boards (phase I) of Conch Venture Green, including construction management, engineering exploration, civil construction and supervision and other invitation and discussion work. The term of the agreement was in line with the cycle of the construction of the project.

The contract price payable under the engineering technology consultation agreement was approximately RMB980,000. As the relevant percentage ratio in respect of the agreement was less than 0.1%, the transactions contemplated under this agreement constituted continuing connected transactions exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

From 1 January 2015 to 19 June 2015, the actual transaction amount of the above transaction contemplated under the engineering technology consultation agreement was RMB456,400.

(2) Kawasaki RH Licensing Agreement

On 8 February 2007, CK Engineering and Kawasaki Partner entered into a technical licensing agreement (as supplemented by supplementary agreements dated 27 September 2010, 25 September 2008 and 7 August 2013) (collectively, the "**Kawasaki RH Licensing Agreement**"), whereby Kawasaki Partner granted CK Engineering an exclusive licence to use the technology knowhow in respect of residual heat power generation systems and the use of technical information such as drawings and technical data calculation software in China. The initial licensing fee was RMB22 million. Of which RMB6.0 million was paid to Kawasaki Partner before the track record period. To reduce the labour cost incurred by Kawasaki Partner in relation to the technical personnel secondment arrangements between the parties in 2010, they agreed to reduce the licensing fee to RMB13.2 million. Having taken into account the RMB6 million paid, the then outstanding licensing fee was RMB7.2 million. In another project carried out by Kawasaki Partner and CK Engineering together, RMB3.6 million was payable by Kawasaki Partner to CK Engineering in 2010. The parties agreed that RMB3.6 million payable by Kawasaki Partner to CK Engineering was settled through the reduction of the outstanding consideration under the Kawasaki RH Licensing Agreement from RMB7.2 million to RMB3.6 million.

6. REPORT OF THE DIRECTORS

Subsequently, licensing fees of RMB1.2 million were paid by CK Engineering to Kawasaki Partner during each of the three years ended 31 December 2012. Since then there was no outstanding licensing fees in respect of the Kawasaki RH Licensing Agreement. The license is valid until 15 October 2026.

Since all licensing fees in respect of the Kawasaki RH Licensing Agreement were fully paid by CK Engineering to Kawasaki HI (a Connected Person) by 31 December 2012, no licensing fees are payable on or after 1 January 2013 until the expiry of such agreement. The transactions contemplated under the agreement is a continuing connected transaction and is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

(3) Kawasaki VM Licensing Agreement

On 7 April 2008, CK Equipment and Kawasaki Partner entered into a technical licensing agreement (the "**Kawasaki VM Licensing Agreement**"), whereby Kawasaki Partner granted CK Equipment an exclusive licence to use the technology knowhow in respect of vertical mill and the use of technical information such as drawings and technical data calculation software in China. Such license is without licensing fee and is valid until 21 September 2027.

Since no licensing fees is payable by CK Equipment to Kawasaki HI (a Connected Person) in respect of the license during the term of the Kawasaki VM Licensing Agreement, such continuing connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For disclosure of connected persons, please refer to note 28 to the financial statements.

The independent auditor of the Company, KPMG, was engaged to report their conclusions regarding the continuing connected transactions to the Board in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant terms of the agreements; and

d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual caps set by the Company as disclosed in the previous announcements dated 9 December 2013, 30 December 2014 and 30 March 2015 respectively.

Pursuant to Rule 14A.55 of the Listing Rules, our INEDs have reviewed the above mentioned continuing connected transactions and the report from KPMG, and recognised that the transactions:

a. were conducted in the ordinary course of business of the Group;

b. were conducted on normal commercial terms, or on terms not less favourable from or to independent third parties; and

c. were conducted on the terms of the relevant agreements which were fair and reasonable and were in the interests of the Shareholders as a whole.

(23) RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" of the Director's report, no related party transactions were conducted by the Group during the year under review.

In connection with the major related party transactions set out in note 28 to the Financial Statements, save for the transactions with each of Conch Cement, Conch IT Engineering, Conch Design Institute, Conch Holdings, and Conch Profiles, these related party transactions constituted connected transactions or continuing connected transactions within the meaning of Chapter 14A of Listing Rules. For the year ended 31 December 2015, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules in respect of such transactions.

(24) SHARE OPTION SCHEME

Save as the Share Option Scheme set out below, during the year ended 31 December 2015, the Company did not have newly entered or existing equity-linked agreements.

The Company has conditionally adopted a share option scheme ("**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 contribution to the Group.

6. REPORT OF THE DIRECTORS

The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Eligible participants of the Share Option Scheme include:

(1) any employee (whether full-time or part-time and including any executive Director but excluding non-executive Director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(2) any non-executive Directors (including INEDs) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of any member of the Group or any Invested Entity;

(5) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(7) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(8) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the aggregate number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares of the Company commenced on the Stock Exchange, i.e. 176,500,000 shares, representing 9.78% of the issued share capital of the Company as at the date of this report.

6. REPORT OF THE DIRECTORS

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective close associates must be approved by INEDs (excluding INED(s) who or whose close associates is/are the proposed grantee(s) of the options). Where any grant of options to a substantial shareholder or an INED or any of their respective close associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million; such further grant of options must be approved by Shareholders in general meeting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of an option. The exercise periods of options shall be determined by the Board, which may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination of the Share Option Scheme.

The subscription price under the Share Option Scheme shall be determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e., expiring on 2 December 2023.

Since the listing, the Group has not granted any share option under the Share Option Scheme.

6. REPORT OF THE DIRECTORS

(25) PRE-EMPTIVE RIGHTS

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

(26) AUDITOR

In 2015, the Company appointed KPMG as its international auditor for the year ended 31 December 2015. The consolidated financial statements have been audited by KPMG.

KPMG retired and offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

The Board and the Audit Committee had mutual consent on the reappointment of external auditor of the Company

(27) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

(28) NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment (collectively, the "**Covenantors**"), all being Controlling Shareholders, entered into a deed of non-compete and other undertakings (the "**Non-Compete Undertakings**") in favour of the Company on 3 December 2013, pursuant to which each of the Covenantors has irrevocably undertaken to the Company on a joint and several basis that the Covenantors and their close associates (individually or taken as a whole) will comply with the terms of the Non-Compete Undertakings during the period when they remain controlling shareholders (as defined in the Listing Rules) of the Company. In addition, each of the Covenantors has also undertaken to make an annual declaration in respect of their compliance with the terms of the Non-Compete Undertakings in the Company's annual report.

As disclosed in those announcements, some Shareholders (including Controlling Shareholders) distributed the Shares held by them to the beneficiaries of the relevant trusts in accordance with the arrangement of the trusts. Capitalised terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, the respective trustees of the SA Trusts commenced the implementation of the Distributions in June 2015 in accordance with the terms of the respective trust deeds of the SA Trusts. As at 19 June 2015, 961,278,594 Shares have been distributed to the relevant fixed beneficiaries of the HLGH Fixed Trust, the NGGH Trust, the BMGH Trust and the XCGH Trust, while 85,101,075 Shares under the HLGH Discretionary Trust have been distributed to some of the HLGH Discretionary Objects. As at the aforesaid date, HLGH Fixed Investment was interested in 12,442,784 Shares, while HLGH Investment held 66,749,556 Shares which in aggregate represented approximately 4.39% of the total issued Shares.

In light of the above, since 19 June 2015, Mr. Liu Yi, , HLGH PTC, HLGH Fixed Investment and HLGH Investment were no longer the Controlling Shareholders of the Company. The Company has received annual confirmations from the Controlling Shareholders, being Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment confirming that, from 1 January 2015 to 19 June 2015 (the "**Period**"), they have complied with the terms of the Non-Compete Undertakings as described in the Prospectus, and that they or their close associates have not or are not likely to be engaged in any business (other than the Group) which, directly or indirectly, competes or may compete with the Group's business.

The INEDs have reviewed the abovementioned undertakings and consider that Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment have complied with the Non-Compete Undertakings during the Period.

(29) MAJOR RISKS AND UNCERTAINTIES

The Group's principal activities consist of three segments, namely energy-saving, environmental-protection, and new building materials, which face a variety of major risks and uncertainties, including: (1) the pressure of macroeconomic downturn continues to increase; (2) the Group's operating results are considerably affected by the business performance of associated companies of the Group of which the Group only hold minority interests, and the operations of associated companies are beyond the control of the Group; and (3) overseas expansion of the Group's operations involves risk, including difficulties in transnational operation, currency exchange rate fluctuations, etc.

(30) COMPLIANCE OF LAWS AND REGULATIONS

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

During the year under review , to the best knowledge of the Group, the Group has: (1) for environmental protection, complied with the "Environmental Protection Law of the People's Republic of China", "Water Pollution Prevention Law of the People's Republic of China", "Air Pollution Prevention Law of People's Republic of China", "Solid waste Pollution Prevention Law of the People's Republic of China", "Environmental Noise Pollution Prevention Law of the People's Republic of China" and "Marine Environmental Protection Law of the People's Republic of China"; (2) for special equipment manufacturing, complied with "Regulations on Safety Supervision of Special Equipment", "Supervision and Management Measures for the Manufacturing of Boiler and Pressure Vessels"; and (3) for labor and production safety, complied with "Labor Contract Law of the People's Republic of China", "Occupational Illness Prevention Law of the People's Republic of China" and "Safe Production Law of the People's Republic of China" and other related rules and regulations.

6. REPORT OF THE DIRECTORS

(31) ENVIRONMENT POLICIES AND PERFORMANCES

The Group has realized the importance of environmental protection, and has taken stringent environmental measures to ensure the Group's compliance with existing environmental laws and regulations.

Emissions

The Group shall comply with Chinese environmental laws and regulations, including the "Environmental Protection Law of the People's Republic of China", "Water Pollution Prevention Law of the People's Republic of China", "Air Pollution Prevention Law of the People's Republic of China", "Solid Waste Pollution Prevention Law of the People's Republic of China", "Environmental Noise Pollution Prevention Law of the People's Republic of China" and "Marine Environmental Protection Law of the People's Republic of China" and other relevant laws and regulations related to environmental protection. Such laws and regulations supervise environmental issues, including air pollution, noise emissions, waste water and waste emissions.

Emissions generated by the Group in dealing with garbage were tested by Eurofins GFA GmbH laboratory from Germany. The dioxin emission index is only 0.0376 nanograms per cubic meter, which is far below the pollution control standards (GB30485- 2013) of solid waste disposed by cement kiln. It is also better than the emissions standards in developed countries, proving that the Group's operations are green, environmental- friendly and non-polluting.

According to these environmental laws and regulations, all the businesses operations which may produce environmental pollution and other social problems shall incorporate environmental-protection measures in their plans, and establish a reliable system of environmental-protection. Such businesses must take effective measures to prevent and control pollution levels and environmental-hazardous elements, including the waste gas, waste water, solid waste, dust, odor, radioactive substances, noise, vibration and electromagnetic radiation generated from production, construction or other activities in the process. The Group's manufacturing facilities have been inspected and accepted by relevant environmental-protection departments. During the reporting period, the Group has complied with the relevant environmental laws and regulations to a large extent.

Resource utilization

The Group has been committed to reducing the materials and energy consumption of the Group and the Group's customers. The Group has introduced a number of arrangements to improve energy efficiency, conservation of resources used by its operations, and increase employees' awareness of environmental protection. To protect the environment, the Group's employees are encouraged to reduce the use of the copier or scanner to reduce paper utilization and greenhouse gas emissions; to turn off all computers and office equipment, appliances and air conditioning after work. All of the Group's operations have focused on reducing the amount of paper and toner to reduce energy consumption.

6. REPORT OF THE DIRECTORS

(32) PERMITTED INDEMNITY PROVISIONS

It was provided in the Articles of Association of the Company, that the Directors (including other persons) can be indemnified when any act, costs, expenses, damages, compensation and expenditure are caused or suffered by actions of approval or omission made by their respective jobs or trusts or assumed duties, except that by their own deceit or fraud. According to the service agreements, each of the executive Directors is entitled to an indemnity from the Company within the permission of the law, except that in any case where the matter of indemnification was caused by the wilful default or wilful neglect of the Director. The Company has maintained directors' liability insurance throughout the year.

By Order of the Board
Guo Jingbin
Chairman

Wuhu, China
24 March 2016

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. GUO Jingbin (郭景彬), aged 58, was appointed as a Director with effect from 24 June 2013. He is currently an executive Director and the Chairman of the Company. He is primarily responsible for overall strategic development of the Group. Mr. Guo graduated from Shanghai Construction Materials College and joined the predecessor of Conch Cement Group in 1980. In July 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院). Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the board of and deputy general manager of Conch Cement. He has over 30 years' experience in the building materials industry and rich experience in capital markets, particularly specializing in corporate strategic planning, marketing planning and general and administration management. He has been a director of CV Investment with effect from February 2011 and became the chairman of the board of directors of CV Investment since May 2013. He no longer serves as the chairman and director of CV Investment since the end of April 2015. Mr. Guo has been an executive director of Conch Cement from October 1997 to June 19, 2014 and a director of Conch Holdings since January 1997. On 20 June 2014, he was re-designated as non-executive director of Conch Cement.

Mr. JI Qinying (紀勤應), aged 59, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director and the Chief Executive Officer of the Company who is primarily responsible for day-to-day management of the Group's business operations. He is also a member of the Remuneration and Nomination Committee. Mr. Ji joined the predecessor of Conch Cement Group after he graduated from Shanghai Construction Materials College in 1980. He held various leading positions including deputy plant operating director of the Ningguo Cement Plant, general manager of Conch Cement, and general manager and chairman of Conch Profiles. Mr. Ji has been a director of CV Investment since November 2002. He has also been the general manager of CV Investment from May 2013 to the end of April 2015 and the chairman of CV Investment since March 2015 till now. Mr. Ji has over 30 years' experience in the building materials industry specializing in project investment, construction management, market development, production, general operation and industrial management. Mr. Ji was an executive director of Conch Cement from December 2009 to November 2013.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Jian (李劍), aged 54, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director and a Deputy General Manager of the Company. He joined the Group in March 2011. He is primarily responsible for strategic development of the Group and general operation of Conch Venture Green and Bozhou CV Green. He is also directors of Conch Venture Green and Bozhou CV Green and acted as the chairmen of both companies since July 2015. He graduated from Anhui Broadcast and Television University (安徽廣播電視大學) majoring in electrical engineering in July 1994. Mr. Li joined the Anhui Conch Group in 1995, and joined the Group in 2011 and was a director of CK Equipment from March 2011 to March 2012. During the period from February 2011 to March 2012, Mr. Li was an assistant to general manager of CV Investment. He has also been a director and deputy general manager of CV Investment from May 2013 to the end of April 2015. Mr. Li has nearly 20 years' experience in the building materials industry specializing in market development, sales network development and management, building materials production and corporate management. He also has extensive experience in the production and operation management in the new building materials industry.

Mr. LI Daming (李大明), aged 50, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director and a Deputy General Manager of the Company. He is also a director of CK Equipment and CK Engineering. He is primarily responsible for energy preservation and environmental protection business including residual heat power generation and waste incineration projects, general operation of CK Engineering and CK Equipment. He graduated from Anhui Mechanical and Electrical College (安徽機電學院) majoring in manufacture of electrical equipment in July 1986. Mr. Li joined the Group in December 2006 and has been a director of CK Equipment since September 2007, a director of CK Engineering since November 2006 and deputy general manager of CK Engineering since December 2006. Mr. Li has nearly 20 years' experience in the building materials industry. He also has extensive experience in residual heat power generation and has established good cooperation relationship with Kawasaki HI in developing the residual heat power generation business.

2. Non-executive Director

Ms. ZHANG Mingjing (章明靜), aged 53, was nominated as a non-executive Director of the Company on 21 May 2014. She is also a member of the Remuneration and Nomination Committee, and is currently an executive director of Conch Cement. Ms. Zhang serves as the chairman of the board of directors of Indonesia Conch Cement Co. Ltd (印尼海螺水泥有限公司). She graduated from Anhui Normal University and joined the group comprising Conch Cement and its subsidiaries in 1987. Ms. Zhang held positions such as head of external economic cooperation department and deputy head of development department of the former Ningguo Cement Plant, officer in-charge of the secretariat to the Board and secretary to the board of directors of Conch Cement. She has extensive experience in capital operation, standard management of listed companies and establishment of internal control system. Ms. Zhang is a senior economist.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

3. Independent non-executive Directors

Mr. CHAN Chi On (陳志安) (alias Derek CHAN), aged 52, was appointed as an INED with effect from 3 December 2013. He is also the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee. Mr. Chan is currently engaging in corporate finance and securities businesses and serving as the chairman of Halcyon Capital Limited and Halcyon Securities Limited respectively. Mr. Chan graduated from the University of Hong Kong with a Bachelor degree in Social Sciences (majoring in Economics) and from the Hong Kong University of Science & Technology with a Master degree in Business Administration. Mr. Chan worked for the Stock Exchange for seven years, and subsequently served as an executive director in Haitong International Securities Group Limited (previously known as Taifook Securities Group Limited) and head of its corporate finance division for 16 years and was responsible for businesses in listing of enterprises, financing and mergers and acquisition. Mr. Chan is currently an independent non-executive director of Yuexiu REIT Asset Management Ltd. (manager of Yuexiu Real Estate Investment Trust (which is listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00405)) and Longfor Properties Co. Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 00960)). He served as an independent non-executive director of Global International Credit Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 01669)) from 22 November 2014 to January 1, 2016. He is currently an adjunct professor at the School of Accounting and Finance at the Hong Kong Polytechnic University. Mr. Chan has more than 25 years of experience in financial services industry.

Mr. CHAN Kai Wing (陳繼榮), aged 55, was appointed as an INED with effect from 3 December 2013. He is also a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. Mr. Chan is currently the managing director of Mandarin Capital Enterprise Limited, a company Mr. Chan founded in 2004, and is specialized in providing financial advisory services to companies in the area of accounting services, merger and acquisition, corporate restructuring, and other corporate finance matters. Mr. Chan obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986 and is a fellow member of CPA Australia. From 1988 to 1991, Mr. Chan worked in the audit department of Ernst & Young in Hong Kong. Mr. Chan has been an independent non-executive director of China Assurance Finance Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 08090) since December 2011. He was also appointed as an independent non-executive director of Excel Development (Holdings) Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 01372)) and Sino Golf Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 00361)) on 20 July 2015 and 24 August 2015.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Chi Wah, Alex (劉志華), aged 52, was appointed as an INED with effect from 3 December 2013. He is also a member of the Audit Committee and the Chairman of the Remuneration and Nomination Committee. Mr. Lau has over 25 years of experience in the field of corporate finance and accounting in managing initial public offerings and fund-raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions. He is currently the managing director of BOSC International Company Limited. Mr. Lau has been an associate of the Institute of Chartered Accountants in England and Wales since June 1988 and an associate of Hong Kong Institute of Certified Public Accountants since 1990. He graduated from the University of East Anglia in the United Kingdom in July 1984 with a bachelor degree in Science. He also obtained Corporate Finance Qualification from the Institute of Chartered Accountants in England and Wales in 2006. He is currently an independent non-executive director of Man Sang International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 00938)) and One Media Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 00426)).

(II) SENIOR MANAGEMENT

1. Senior Management Staff

Mr. WANG Xuesen (汪學森), aged 51, is a director of HC Port and a deputy general manager of the Company. He is primarily responsible for general operation of HC Port. He graduated from Anhui Finance and Trade College (安徽財貿學院), majoring in statistical science in May 1988. He also obtained a Master of Business Administration from Shanghai Shipping College (上海海運學院) in September 2003. Mr. Wang joined the Group in 2006 and has since then been the general manager of HC Port.

2. Joint Company Secretaries

Mr. SHU Mao (疏茂), aged 30, was appointed as the joint company secretary on 3 December 2013. He graduated from Anhui Engineering Science College (安徽工程科技學院) majoring in business administration in 2008. Mr. Shu joined Auhui Conch Group in February 2008 and has served as the assistant of manager of the Board of Directors' Office of Auhui Conch Group and the assistant manager of the office of general manager of CV Investment.

Ms. NG Sin Yee, Clare, aged 55, is a director of the Corporate Services Department of Tricor Services Limited. Ms. Ng is a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Before joining the group comprising Tricor Services Limited, Ms. Ng has worked in the Company Secretarial Department of Secretaries Limited, a professional service company wholly owned by Deloitte Touche Tohmatsu. Ms. Ng has more than 29 years of experience in company secretarial field and has been providing corporate services to both multi-national companies and listed companies in Hong Kong.

INDEPENDENT AUDITOR'S REPORT

KPMG

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

We have audited the consolidated financial statements of China Conch Venture Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 69 to 150, which comprise the consolidated statements of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hongkong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015** **RMB'000**	2014 RMB'000
Revenue	3	**2,057,494**	1,747,892
Cost of sales		**(1,275,875)**	(1,174,251)
Gross profit		**781,619**	573,641
Other revenue	4	**167,438**	147,887
Other net gain/(loss)	5	**3,680**	(29,695)
Distribution costs		**(29,065)**	(26,653)
Administrative expenses		**(198,422)**	(104,997)
Profit from operations		**725,250**	560,183
Finance costs	6(a)	**(38,396)**	(60,755)
Share of profit of an associate	16	**1,539,856**	1,980,330
Profit before taxation	6	**2,226,710**	2,479,758
Income tax	7(a)	**(166,899)**	(106,945)
Profit for the year		**2,059,811**	2,372,813
Attributable to:			
Equity shareholders of the Company		**1,944,340**	2,238,504
Non-controlling interests		**115,471**	134,309
Profit for the year		**2,059,811**	2,372,813
Earnings per share			
Basic and diluted (RMB)	11	**1.08**	1.24

The notes on pages 76 to 150 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015** **RMB'000**	2014 RMB'000
Profit for the year		**2,059,811**	2,372,813
Other comprehensive income for the year (after tax and reclassification adjustments)	8		
Items that may be reclassified subsequently to profit or loss:			
Share of changes of reserves of an associate, net of tax		**37,663**	181,423
Exchange differences on translation of financial statements of overseas subsidiaries and the Company		**–**	(680)
		37,663	180,743
Total comprehensive income for the year:		**2,097,474**	2,553,556
Attributable to:			
Equity shareholders of the Company		**1,982,003**	2,419,247
Non-controlling interests		**115,471**	134,309
Total comprehensive income for the year		**2,097,474**	2,553,556

The notes on pages 76 to 150 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015 RMB'000**	2014 RMB'000
Non-current assets			
Property, plant and equipment	12	**998,151**	1,007,768
Lease prepayments	13	**204,091**	202,215
Intangible assets	14	**84,023**	830
Interest in an associate	16	**12,655,775**	11,668,343
Non-current portion of trade and other receivables	18	**790,870**	237,616
Finance lease receivable	19	**–**	43,901
Non-current prepayments	20	**45,000**	–
Deferred tax assets	24(b)	**65,349**	46,164
		14,843,259	13,206,837
Current assets			
Inventories	17	**246,116**	145,659
Trade and other receivables	18	**1,076,321**	1,132,327
Finance lease receivable within one year	19	**–**	14,461
Restricted bank deposits		**1,745**	–
Bank deposits with maturity over three months		**–**	650,000
Cash and cash equivalents	21(a)	**2,332,268**	2,057,583
		3,656,450	4,000,030
Current liabilities			
Loans and borrowings	22	**50,000**	670,000
Trade and other payables	23	**1,172,166**	1,067,051
Income tax payables	24(a)	**48,149**	39,365
		1,270,315	1,776,416
Net current assets		**2,386,135**	2,223,614
Total assets less current liabilities		**17,229,394**	15,430,451

The notes on pages 76 to 150 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi Yuan)

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Loans and borrowings	22	**480,000**	130,000
Net assets		**16,749,394**	15,300,451
Capital and reserves	25		
Share capital		**14,347**	14,347
Reserves		**16,244,099**	14,839,300
Equity attributable to equity shareholders of the Company		**16,258,446**	14,853,647
Non-controlling interests		**490,948**	446,804
Total equity		**16,749,394**	15,300,451

Approved and authorised for issue by the board of directors on 24 March 2016.

GUO Jingbin
Director

JI Qinying
Director

The notes on pages 76 to 150 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000 (Note 25 (c))	Share premium RMB'000 (Note 25 (d)(i))	Capital reserve RMB'000 (Note 25 (d)(ii))	PRC statutory reserves RMB'000 (Note 25 (d)(iii))	Exchange Reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		14,347	3,146,587	1,851,910	265,496	680	7,521,991	12,801,011	476,111	13,277,122
Profit for the year		–	–	–	–	–	2,238,504	2,238,504	134,309	2,372,813
Other comprehensive income	8	–	–	181,423	–	(680)	–	180,743	–	180,743
Total comprehensive income		–	–	181,423	–	(680)	2,238,504	2,419,247	134,309	2,553,556
Acquisition of non-controlling interests		–	–	(10,083)	–	–	–	(10,083)	(73,314)	(83,397)
Appropriation to reserves	25(d)(iii)	–	–	–	94,537	–	(94,537)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	–	(90,302)	(90,302)
Dividends approved in respect of the previous years	25(b)	–	(356,528)	–	–	–	–	(356,528)	–	(356,528)
Balance at 31 December 2014 and 1 January 2015		14,347	2,790,059	2,023,250	360,033	–	9,665,958	14,853,647	446,804	15,300,451

The notes on pages 76 to 150 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000 (Note 25 (c))	Share premium RMB'000 (Note 25 (d)(i))	Capital reserve RMB'000 (Note 25 (d)(ii))	PRC statutory reserves RMB'000 (Note 25 (d)(iii))	Exchange Reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2014 and 1 January 2015		**14,347**	**2,790,059**	**2,023,250**	**360,033**	**–**	**9,665,958**	**14,853,647**	**446,804**	**15,300,451**
Profit for the year		–	–	–	–	–	1,944,340	1,944,340	115,471	2,059,811
Other comprehensive income	8	–	–	37,663	–	–	–	37,663	–	37,663
Total comprehensive income		–	–	37,663	–	–	1,944,340	1,982,003	115,471	2,097,474
Non-controlling interest arising from establishment of new subsidiaries		–	–	–	–	–	–	–	16,200	16,200
Appropriation to reserves	25(d)(iii)	–	–	–	36,854	–	(36,854)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	–	(87,527)	(87,527)
Dividends approved in respect of the previous years	25(b)	–	(577,204)	–	–	–	–	(577,204)	–	(577,204)
Balance at 31 December 2015		**14,347**	**2,212,855**	**2,060,913**	**396,887**	**–**	**11,573,444**	**16,258,446**	**490,948**	**16,749,394**

The notes on pages 76 to 150 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	2015 RMB'000	2014 RMB'000
Operating activities:			
Cash generated from operations	21(b)	**242,320**	408,735
Income tax paid	24(a)	**(177,300)**	(71,967)
Net cash generated from operating activities		**65,020**	336,768
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(149,072)**	(317,534)
Proceeds from disposal of property, plant and equipment		**696**	–
Proceeds from disposal of finance lease receivable		**60,554**	–
Payment for lease prepayments		**(6,280)**	(72,559)
Payment for acquisition of non-controlling interest of a subsidiary		**(41,700)**	(41,700)
Prepayment for acquisition of a subsidiary		**(45,000)**	–
Proceeds from maturity of bank deposits over three months		**650,000**	767,790
Payment for maturity of bank deposits over three months		**–**	(1,400,000)
Dividends received from the associate		**589,931**	294,000
Interest received		**108,120**	92,749
Net cash generated from/(used in) investing activities		**1,167,249**	(677,254)
Financing activities:			
Proceeds from loans and borrowings		**1,130,000**	40,000
Repayment of loans		**(1,400,000)**	(828,804)
Proceeds from non-controlling shareholders		**16,200**	–
Profit distribution and paid to non-controlling interests		**(87,527)**	(90,302)
Dividends paid to equity shareholders of the Company		**(577,204)**	(356,528)
Interest paid		**(39,053)**	(63,758)
Net cash used in financing activities		**(957,584)**	(1,299,392)
Net increase/(decrease) in cash and cash equivalents		**274,685**	(1,639,878)
Effect of foreign exchange rate changes		**–**	(680)
Cash and cash equivalents at beginning of the year		**2,057,583**	3,698,141
Cash and cash equivalents at end of the year	21(a)	**2,332,268**	2,057,583

The notes on pages 76 to 150 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value (see Note 1(f)).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended IFRSs are discussed below:

Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group operates no defined benefit plans.

Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

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

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

(e) Associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associate *(Continued)*

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(f)).

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Note 1(u)(v) and (vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 1(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in equity in capital reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Note 1(u)(v) and (vi). Foreign exchange gain and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/ derecognised on the date the Group commits to purchase/sell the investments or they expire.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

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

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

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

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

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

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

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 1(j)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets

The Group recognises an operating right arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An operating right received as consideration for providing construction services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the operating right is measured at cost, which includes capitalised borrowing costs (see Note 1(w)), less accumulated amortisation and impairment losses (see Note 1(j)).

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	2–10 years
– Waste incineration project operating right	30 years

Both the period and method of amortisation are reviewed annually.

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see Note 1(j)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see Note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in an associate accounted for under the equity method in the consolidated financial statements (see Note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– lease prepayments;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

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

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

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

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 1(u)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Gross amounts due from customers for contract work

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as gross amounts due from customers for contract work. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset (see Note 1(h)), then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

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

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

(ii) Defined contribution retirement plans

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

(s) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax (Continued)

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

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

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

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

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

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

  – the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Provision and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Revenue from construction contract

When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Revenue from service concession arrangement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue from construction contract. Operation or service revenue is recognised in the period in which services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(iv) Revenue from services

Revenue arising from services is recognised when the relevant service is rendered without further performance obligations.

(v) Finance income

Finance income is recognised as it accrues using the effective interest method.

(vi) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs

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

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

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties *(Continued)*

(b) (Continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the progress of applying the Group's accounting policies, management had made the following accounting judgements:

Service concession arrangements

The Group entered into Build-Operate-Transfer ("BOT") arrangements in respect of its waste incineration projects.

The Group concluded that all the BOT arrangements are service concession arrangements under International Financial Reporting Interpretations Committee 12 because the local governments control and regulate the services that the Group must provide with the infrastructure at a pre-determined service charge. In respect of BOT arrangements upon expiry of concession right agreement, the infrastructure for BOT arrangements is used in the service concession arrangements for its entire or substantial useful life.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Source of estimation uncertainty

Note 26(e) contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in policy Note 1(l) and 1(u)(ii), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Depreciation and amortisation

As described in Note 1(g), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in Note 1(h), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

As described in Note 1(k), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is stated at the lower of cost and net realisable value.

(iv) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2015	2014
	RMB'000	RMB'000
Energy preservation and environmental protection solutions		
Residual heat power generation	**871,118**	967,891
Vertical mill	**203,840**	314,454
Waste incineration (i)	**812,141**	323,947
Subtotal	**1,887,099**	1,606,292
Port logistics services	**149,793**	141,600
Sale of new building materials	**20,602**	–
Total	**2,057,494**	1,747,892

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(i) Revenue of waste incineration solutions represents the revenue for construction services under BOT and Build-Transfer ("BT") 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 year is as follows:

	2015 RMB'000	2014 RMB'000
Revenue from waste incineration project construction services	**787,807**	323,947
Revenue from waste incineration project operation services	**10,579**	–
Finance income	**13,755**	–
Total	**812,141**	323,947

The Group has transactions with the PRC local government authorities which in aggregate exceeded 10% of the Group's revenue. Revenue from provision of waste incineration project construction and operation services and finance income derived from local government authorities in the PRC for the year ended 31 December 2015 amounting to RMB692,451,000 (2014: RMB130,460,000). Furthermore, the Group has transactions with two individual customers which have exceeded 10% of the Group's revenues in 2015 (2014: one). Revenues from these two customers in 2015 amounted to RMB569,130,000. Revenue from a customer in 2014 amounted to RMB729,893,000. Details of concentration of credit risk arising from these customers are set out in Note 26(a).

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

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

(1) Energy preservation and environmental protection solutions included manufacturing and sales of residual heat power generation, vertical mill, waste incineration, and maintenance and related after sales services.

(2) Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.

(3) New building materials: this segment mainly engages in alternative wall building materials, such as the cellulose fiber cement sheets, autoclaved boards and wood wool cement boards and currently in initial expansion stage.

(4) Investments: this segment comprises investment in Anhui Conch Group Co., Ltd. ("Conch Holdings"). Details of the principal activities of Conch Holdings are set out in Note 16.

(i) For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

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

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

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

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 years ended 31 December 2015 and 2014 is set out below:

	Year ended 31 December 2015					
	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	1,887,099	149,793	20,602	–	–	2,057,494
Reportable segment profit before tax	608,302	51,645	36,820	1,539,856	(9,913)	2,226,710
Interest income	47,237	197	61,469	–	823	109,726
Interest expenses	14,870	4,554	14,281	–	4,691	38,396
Depreciation and amortisation	14,553	42,153	13,451	–	–	70,157
Provision for impairment losses — trade and other receivables	58,715	–	–	–	–	58,715
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

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2014					
	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	1,606,292	141,600	–	–	–	1,747,892
Reportable segment profit before tax	437,363	45,242	29,658	1,980,330	(12,835)	2,479,758
Interest income	41,007	271	44,176	–	20,669	106,123
Interest expenses	19,719	8,855	32,181	–	–	60,755
Depreciation and amortisation	14,634	38,769	1,943	–	–	55,346
Provision for impairment losses — trade and other receivables	12,822	–	–	–	–	12,822
Reportable segment assets	2,606,567	649,154	2,201,881	11,668,343	80,922	17,206,867
Reportable segment liabilities	1,176,260	123,998	606,126	–	32	1,906,416

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.

	2015 **RMB'000**	2014 RMB'000
Revenue		
Mainland China	**1,199,387**	1,452,353
Thailand	**5,863**	2,603
Japan	**–**	1,244
Vietnam	**11,283**	61,371
Indonesia	**301,153**	58,212
Burma	**454,197**	138,801
Laos	**70,269**	–
India	**–**	17,090
Tanzania	**6,502**	16,016
Brazil	**1,364**	202
Pakistan	**7,476**	–
	2,057,494	1,747,892

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.

NOTES TO THE FINANCIAL STATEMENTS

4 OTHER REVENUE

	2015 RMB'000	2014 RMB'000
Interest income	**109,726**	106,123
Government grants (i)	**57,712**	41,764
	167,438	147,887

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

5 OTHER NET GAIN/(LOSS)

	2015 RMB'000	2014 RMB'000
Net gain/(loss) on disposal of property, plant and equipment	**475**	(81)
Net gain on disposal of financial lease receivable (Note 19)	**2,192**	–
Exchange gain/(loss)	**1,013**	(29,614)
	3,680	(29,695)

6 PROFIT BEFORE TAXATION

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

	2015 RMB'000	2014 RMB'000
(a) Finance costs:		
Interest on loans and borrowings	**38,473**	62,233
less: interest expense capitalised into construction in progress	**(77)**	(1,478)
	38,396	60,755

For the year ended 31 December 2015, the borrowing costs had been capitalised at a rate of 5.4% per annum (2014: 5.4% per annum).

6 PROFIT BEFORE TAXATION *(Continued)*

	2015	2014
	RMB'000	RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	**93,144**	57,734
Contributions to defined contribution plans (i)	**10,184**	8,027
	103,328	65,761

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

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

(c) Other items:

	2015	2014
	RMB'000	RMB'000
Cost of inventories	**824,683**	977,598
Cost of construction service	**451,192**	196,653
Depreciation	**65,408**	51,502
Amortisation of lease prepayments	**4,404**	3,444
Amortisation of intangible assets	**345**	400
Research and development costs	**19,008**	18,937
Impairment losses on trade receivables	**58,715**	12,822
Operating lease charges	**3,204**	1,839
Auditors' remuneration	**1,887**	1,732

NOTES TO THE FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Income tax in the consolidated income statements represents:

	2015 **RMB'000**	2014 RMB'000
Current tax:		
Provision for PRC income tax for the year	**188,205**	103,691
Over provision in respect of prior years	**(2,121)**	(622)
Provision for current income tax (Note 24(a))	**186,084**	103,069
Deferred tax:		
Origination and reversal of temporary differences (Note 24(b))	**(19,185)**	3,876
	166,899	106,945

(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 with BOT projects running garbage disposal operation management are entitled to 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 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS *(Continued)*

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

	2015 **RMB'000**	2014 RMB'000
Profit before taxation	**2,226,710**	2,479,758
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**556,517**	619,865
PRC tax concessions	**(12,621)**	(16,483)
Additional deduction for research and development costs	**(748)**	(1,201)
Tax effect of non-deductible expense	**10,836**	468
Over provision in respect of prior years	**(2,121)**	(622)
Share of profit of an associate	**(384,964)**	(495,082)
Income tax	**166,899**	106,945

8 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	2015 **RMB'000**	2014 RMB'000
Share of changes of reserves of an associate, net of tax (i)	**37,663**	181,423
Exchange differences on translation of financial statements of overseas subsidiaries and the Company	**–**	(680)
Net movement during the year recognised in other comprehensive income	**37,663**	180,743

(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 FINANCIAL STATEMENTS

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2015

	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Guo Jingbin (i)(iii)	–	140	715	–	855
Mr. Ji Qinying (iii)	–	137	653	–	790
Mr. Li Jian (iii)	–	148	539	25	712
Mr. Li Daming (iii)	–	167	553	28	748
Non-executive Director:					
Ms. Zhang Mingjing (iv)	–	–	–	–	–
Independent non-executive Director:					
Mr. Chan Chi On	119	–	–	–	119
Mr. Chan Kai Wing	119	–	–	–	119
Mr. Lau Chi Wah	119	–	–	–	119
	357	592	2,460	53	3,462

9 DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 December 2014

	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Guo Jingbin (i)(ii)	–	–	–	–	–
Mr. Ji Qinying (ii)	–	–	–	–	–
Mr. Li Jian (iii)	–	142	482	21	645
Mr. Li Daming (iii)	–	160	505	28	693
Non-executive Director:					
Ms. Zhang Mingjing (iv)	–	–	–	–	–
Independent non-executive Director:					
Mr. Chan Chi On	118	–	–	–	118
Mr. Chan Kai Wing	118	–	–	–	118
Mr. Lau Chi Wah	118	–	–	–	118
	354	302	987	49	1,692

(i) Guo Jingbin was appointed as an executive director on 1 July 2014.

(ii) The remuneration of these directors for the year ended 31 December 2014, amounting to RMB1,528,000 was settled by Conch Holdings and its subsidiaries for their directorship in these companies during 2014.

(iii) The remuneration of these directors for the year ended 31 December 2014 and 2015 were settled by subsidiaries for their directorship in those subsidiaries.

(iv) Ms. Zhang Mingjing was appointed as a non-executive director of the Company on 21 May 2014. Her remuneration was RMB810,000 for the year ended 31 December 2015 (2014: RMB830,000) and was settled by Anhui Conch Cement Co., Ltd. ("Conch Cement") for her directorship in that company.

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, four (2014: two) are directors of the Company whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of the remaining individual is as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**171**	617
Discretionary bonuses	**332**	1,347
Contributions to retirement benefit schemes	**29**	99
	532	2,063

The emoluments of the above individuals are within the band of Nil to HKD1,000,000.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,944,340,000 (2014: RMB2,238,504,000) and 1,804,750,000 (2014: 1,804,750,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 December 2015 and 2014.

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and Buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2014	598,739	272,264	6,189	6,663	21,721	905,576
Additions	3,111	18,484	1,926	3,792	245,525	272,838
Transfer from construction in progress	136,000	87,215	–	–	(223,215)	–
Disposals	–	(94)	(71)	(2)	–	(167)
At 31 December 2014 and 1 January 2015	737,850	377,869	8,044	10,453	44,031	1,178,247
Additions	63	6,158	3,551	1,246	44,994	56,012
Transfer from construction in progress	7,115	33,867	–	–	(40,982)	–
Disposals	–	(33)	(47)	(700)	–	(780)
At 31 December 2015	745,028	417,861	11,548	10,999	48,043	1,233,479

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and Buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2014	(68,643)	(42,260)	(3,739)	(4,421)	–	(119,063)
Charge for the year	(25,628)	(24,141)	(810)	(923)	–	(51,502)
Written back on disposals	–	20	65	1	–	86
At 31 December 2014 and 1 January 2015	(94,271)	(66,381)	(4,484)	(5,343)	–	(170,479)
Charge for the year	(29,803)	(32,879)	(1,385)	(1,341)	–	(65,408)
Written back on disposals	–	9	41	509	–	559
At 31 December 2015	(124,074)	(99,251)	(5,828)	(6,175)	–	(235,328)
Net book value:						
At 31 December 2014	643,579	311,488	3,560	5,110	44,031	1,007,768
At 31 December 2015	620,954	318,610	5,720	4,824	48,043	998,151

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 31 December 2015 was approximately RMB80,089,000 (2014: RMB138,322,000). The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

13 LEASE PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	**218,211**	145,652
Additions	**6,280**	72,559
At 31 December	**224,491**	218,211
Accumulated amortisation:		
At 1 January	**(15,996)**	(12,552)
Charge for the year	**(4,404)**	(3,444)
At 31 December	**(20,400)**	(15,996)
Net book value:		
At 31 December	**204,091**	202,215

Lease prepayments represent cost of land use rights in respect of land located in the PRC with lease period of 40–50 years when granted.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2015 was approximately RMB33,230,000 (2014: RMB86,574,000). The directors are of the opinion that the Group is entitled to legally occupy or use these land.

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS

	Software RMB'000	Waste incineration project operating right RMB'000	Total RMB'000
Cost:			
At 1 January 2014	3,366	–	3,366
Additions	37	–	37
At 31 December 2014 and 1 January 2015	3,403	–	3,403
Additions	156	83,382	83,538
At 31 December 2015	3,559	83,382	86,941
Accumulated depreciation:			
At 1 January 2014	(2,173)	–	(2,173)
Charge for the year	(400)	–	(400)
At 31 December 2014 and 1 January 2015	(2,573)	–	(2,573)
Charge for the year	(345)	–	(345)
At 31 December 2015	(2,918)	–	(2,918)
Net book value:			
At 31 December 2014	830	–	830
At 31 December 2015	641	83,382	84,023

The cost of waste incineration project operating rights represented the fair value of operating rights acquired. The operating rights was deemed to be definite life intangible assets as the related BOT arrangements stated that the operation period is 30 years. It is expected to generate long-term net cash inflow to the Group.

15 INTERESTS IN A SUBSIDIARY

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

		Proportion of ownership interest			
Name of companies[i]	Registered and paid up capital	Group' effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Conch Venture Holdings International Limited ("Conch Venture BVI") (中國海創控股國際有限公司)	USD10,000	100%	100%	–	Investment holding
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") (中國海創控股(香港)有限公司)	HKD10,000	100%	–	100%	Investment holding
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") (安徽海創新型節能建築材料有限責任公司)	RMB200,000,000	100%	–	100%	Manufacturing and investment holding
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") (亳州海創新型節能建築材料有限責任公司)	RMB125,000,000	100%	–	100%	Manufacturing and sales of new energy-saving building materials
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") (蕪湖海創實業有限責任公司)	RMB100,000,000	100%	–	100%	Design and construction of energy preservation and environmental protection projects and investment holding
Pingliang Conch Venture Environment Engineering Co., Ltd. ("Conch Venture Environment") (平涼海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue recycling

NOTES TO THE FINANCIAL STATEMENTS

15 INTERESTS IN A SUBSIDIARY *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group' effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Conch Kawasaki Engineering Co., Ltd ("CK Engineering") (安徽海螺川崎工程有限公司)	RMB100,000,000	51%	–	51%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
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)	RMB100,000,000	51%	–	51%	Design, sales installation of energy preservation and environmental protection equipment and after sales service
Yangzhou Haichang Port Industrial Co., Ltd ("HC Port") (揚州海昌港務實業有限責任公司)	RMB220,500,000	100%	–	100%	Cargo handling
Wuhu Conch Investment Ltd. ("WH Investment") (蕪湖海螺投資有限公司)	RMB400,000,000	100%	–	100%	Manufacturing and investment holding
Jinzhai Conch Venture Environment Engineering Co., Ltd. (iii) ("JZ Environment") (金寨海創環境工程有限責任公司)	RMB40,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Yangchun Conch Venture Environment Engineering Co., Ltd. (iii) ("YC Environment") (陽春海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Qiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("QY Environment") (祁陽海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

15 INTERESTS IN A SUBSIDIARY *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group' effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shimen Conch Venture Environment Engineering Co., Ltd. (iii) ("SM Environment") (石門海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Nanjiang Conch Venture Environment Engineering Co., Ltd. (iii) ("NJ Environment") (南江海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xianyang Conch Venture Environment Engineering Co., Ltd.("XY Environment") (咸陽海創環境工程有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shuangfeng Conch Venture Environment Engineering Co., Ltd. (iii) ("SF Environment") (雙峰海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Fusui Conch Venture Environment Engineering Co., Ltd. (iii) ("FS Environment") (扶綏海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shuicheng Conch Venture Environment Engineering Co., Ltd. (iii) ("SC Environment") (水城海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

NOTES TO THE FINANCIAL STATEMENTS

15 INTERESTS IN A SUBSIDIARY *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group' effective interest	Held by the Company	Held by a subsidiary	Principal activities
Baoshan Conch Venture Environment Engineering Co., Ltd. (iii) ("BS Environment") (保山海創環境工程有限責任公司)	RMB10,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Lingyun Conch Venture Environment Engineering Co., Ltd. (iii) ("LY Environment") (凌云海創環境工程有限責任公司)	RMB25,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xishui Conch Venture Environment Engineering Co., Ltd. (iii) ("XS Environment") (習水海創環境工程有限責任公司)	RMB31,000,000	70%	–	70%	Garbage disposal and sludge residue operation management technical service
Yuping Conch Venture Environment Engineering Co., Ltd. (iii) ("YP Environment") (玉屏海創環境工程有限責任公司)	RMB23,000,000	70%	–	70%	Garbage disposal and sludge residue operation management technical service
Yanshan Conch Venture Environment Engineering Co., Ltd. (iii) ("YS Environment") (硯山海創環境工程有限責任公司)	RMB30,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Guiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("GY Environment") (貴陽海創環境工程有限責任公司)	RMB33,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Linxia Conch Venture Environment Engineering Co., Ltd. (iii) ("LX Environment") (臨夏海創環境工程有限責任公司)	Register capital: RMB35,000,000 Paid up capital: –	100%	–	100%	Garbage disposal and sludge residue operation management technical service

15 INTERESTS IN A SUBSIDIARY *(Continued)*

(i) Except for the Company, Conch Venture BVI and Conch Venture HK, the English translation of the companies' names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) Except for Conch Venture BVI and Conch Venture HK which are incorporated in British Virgin Islands and Hong Kong respectively, the above entities are incorporated and operated in the PRC.

(iii) The subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct, operate and maintain waste incineration plants in the PRC for a period of 20 to 30 years. The Group has the obligation to maintain the waste incineration plants in good condition. The grantors guarantee the Group will receive minimum annual payments in connection with the arrangements.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate the agreements include failure of the Group to construct or operate the waste incineration plants and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the agreements include failure to receive payments for solid waste treatment service from the grantors and in the event of a material breach of the terms of the agreements.

Revenue relates to the construction services provided in constructing the waste incineration projects is recognised as "Gross amounts due from customers for contract work" and "Waste incineration project operating rights" in the consolidated financial statements according to accounting policies as set out in Note 1(m) and 1(h).

15 INTERESTS IN A SUBSIDIARY *(Continued)*

The following table lists out the information relating to CK Engineering and CK Equipment as at 31 December 2014 and 2015, the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015 **RMB'000**	2014 RMB'000
NCI percentage	**49%**	49%
Current assets	**1,875,936**	1,590,047
Non-current assets	**357,728**	450,126
Current liabilities	**(1,080,388)**	(966,499)
Non-current liabilities	**–**	–
Net assets	**1,153,276**	1,073,674
Carrying amount of NCI	**565,105**	526,100
Revenue	**1,645,310**	1,680,165
Profit for the year	**258,229**	263,965
Total comprehensive income	**258,229**	263,965
Profit allocated to NCI	**126,532**	129,343
Dividend paid to NCI	**87,527**	90,302
Cash flows from operating activities	**230,152**	218,939
Cash flows from investing activities	**90,121**	(133,933)
Cash flows from financing activities	**(170,558)**	(196,294)

16 INTEREST IN AN ASSOCIATE

	2015 **RMB'000**	2014 RMB'000
Share of net assets	**12,655,775**	11,668,343

The particulars of the associate are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

16 INTEREST IN AN ASSOCIATE *(Continued)*

The particulars of Conch Holdings' investment holdings as at 31 December 2015 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Conch Cement (安徽海螺水泥股份有限公司)	Incorporated	The PRC	5,299,302,579 ordinary shares of RMB 1 each	36.78%	Manufacture and sale of cement related products
Wuhu Conch Profiles and Science Co., Ltd.("Conch Profiles") (蕪湖海螺型材科技股份有限公司)	Incorporated	The PRC	360,000,000 ordinary shares of RMB 1 each	32.62%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") (安徽海螺建材設計研究院)	Incorporated	The PRC	RMB60,000,000	100%	Design and contract cement/ light steel construction
Yingde Conch International Hotel Co., Ltd. (英德海螺信息大酒店有限公司)	Incorporated	The PRC	RMB63,800,000	100%	Hotel service
Wuhu Conch International Hotel Co., Ltd. (蕪湖海螺國際大酒店有限公司)	Incorporated	The PRC	RMB68,500,000	100%	Hotel service
Anhui Conch IT Engineering Co., Ltd.("Conch IT Engineering") (安徽海螺信息技術工程有限責任公司)	Incorporated	The PRC	RMB5,000,000	100%	Computer system design and development

16 INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2015 RMB'000	2014 RMB'000
Gross amounts of the associate		
Current assets	**1,198,151**	1,329,842
Non-current assets	**28,069,156**	26,189,942
Current liabilities	**(794,195)**	(1,752,239)
Non-current liabilities	**(2,645,000)**	(1,954,600)
Equity	**25,828,112**	23,812,945
Revenue	**818,687**	721,969
Profit after tax for the year	**3,132,189**	4,041,490
Other comprehensive income	**76,863**	370,251
Total comprehensive income	**3,209,052**	4,411,741
Dividend received from the associate	**589,931**	294,000
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**25,828,112**	23,812,945
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**12,655,775**	11,668,343
Carring amount in the consolidated financial statements	**12,655,775**	11,668,343

17 INVENTORIES

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

	2015 **RMB'000**	2014 RMB'000
Raw materials	**45,814**	61,282
Work in progress	**39,431**	41,854
Finished goods	**160,871**	42,523
	246,116	145,659

No inventory provision was made as at 31 December 2015 (2014: Nil). The inventories as at 31 December 2015 and 2014 were stated at cost.

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

	2015 **RMB'000**	2014 RMB'000
Carrying amount of inventories sold	**824,683**	977,598

18 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**605,842**	639,501
Bills receivable	**102,129**	128,587
Less: allowance for doubtful debts	**(108,709)**	(49,994)
Trade and bills receivables	**599,262**	718,094
Gross amounts due from customers for construction contract work	**79,750**	93,428
Deposits and prepayments	**74,494**	29,601
Other receivables	**134,507**	41,597
Interest receivables	**14,980**	13,374
Amounts due from third parties	**902,993**	896,094
Amounts due from related parties (Note 28(c))	**173,328**	236,233
Current portion of trade and other receivables	**1,076,321**	1,132,327
Non-current portion of gross amounts due from customers for construction contract work	**790,870**	237,616
Total current and non-current trade and other receivables	**1,867,191**	1,369,943

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.

As at 31 December 2015, the Group endorsed the undue bills receivable of RMB176,715,000 (2014: RMB140,010,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2015, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB176,715,000 (2014: RMB140,010,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

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

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	2015	2014
	RMB'000	RMB'000
Within 1 year	**362,518**	533,390
After 1 year but within 2 years	**164,401**	157,703
After 2 years but within 3 years	**63,184**	21,955
After 3 years but within 5 years	**9,159**	5,046
	599,262	718,094

Details of the Group's credit policy are set out in Note 26(a).

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see Note 1(j)(i)).

The movement in the allowance for doubtful debts during the reporting periods, including both specific and collective loss components, is as follows:

	2015	2014
	RMB'000	RMB'000
At the beginning of the year	**49,994**	37,172
Impairment losses recognised	**58,715**	12,822
At the end of the year	**108,709**	49,994

The Group's trade and other receivables of RMB18,563,000 was individually determined to be impaired by the management at 31 December 2015 (2014: RMB5,705,000).

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables and bills receivable *(Continued)*

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015 RMB'000	2014 RMB'000
Current	**442,830**	456,864
Less than 1 year past due	**109,470**	174,780
1 to 2 years past due	**41,611**	71,892
2 to 3 years past due	**5,351**	13,952
More than 3 years past due	**–**	606
Total amount past due	**156,432**	261,230
	599,262	718,094

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) 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 gross amount due from customers for contract work at 31 December 2015 is RMB 381,114,000 (2014: RMB 374,050,000). The gross amounts due from customers from contract work are expected to be recovered upon contract term.

	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	**381,114**	374,050
Less: Progress billings	**(240,223)**	(159,777)
Net contract work	**140,891**	214,273
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**67,026**	120,845
— Current	**73,865**	93,428
	140,891	214,273

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) 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 RMB 732,160,000 at 31 December 2015 (2014: RMB 116,771,000). The amounts for BOT arrangements are settled by revenue to be generated during the operating periods of the arrangements.

	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	**732,160**	116,771
Less: Progress billings	**(2,431)**	–
Net contract work in relation to BOT arrangements	**729,729**	116,771
Representing:		
Gross amounts due from customers for contract work in relation to BOT arrangements		
— Non-current	**723,844**	116,771
— Current	**5,885**	–
	729,729	116,771

"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 9.68% per annum for the year ended 31 December 2015. Among the total of RMB 729,729,000 (2014: RMB 116,771,000), RMB 333,117,000 (2014: nil) 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 FINANCIAL STATEMENTS

19 FINANCE LEASE RECEIVABLE

Pursuant to an agreement entered into between the Group and Guizhou Xin Sheng Coal Chemical Co., Ltd., an independent third party, in October 2015, the Group disposed of the finance lease project, at a consideration of RMB60,554,000, and resulted in a gain on disposal of RMB2,192,000 (see Note 5) for the year ended 31 December 2015.

20 NON-CURRENT PREPAYMENTS

The Group entered into an agreement with two other independent third parties to inject capital of RMB90,000,000 into Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Yaobai Environmental") on 1 November 2015 to acquire 60% of equity interest of Yaobai Environmental. The first instalment of capital injection paid by the Group of RMB45,000,000 was recorded as non-current prepayments as at 31 December 2015. Pursuant to the terms of the agreement, the acquisition was completed on 1 January 2016.

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015 RMB'000	2014 RMB'000
Bank deposits with maturity within three months	**1,712,451**	1,649,706
Cash at bank and on hand	**619,817**	407,877
	2,332,268	2,057,583

21 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	**2015** **RMB'000**	2014 RMB'000
Profit before taxation		**2,226,710**	2,479,758
Adjustments for:			
Depreciation	6(c)	**65,408**	51,502
Amortisation of lease prepayments	6(c)	**4,404**	3,444
Amortisation of intangible assets	6(c)	**345**	400
Impairment loss on trade receivables	6(c)	**58,715**	12,822
Net (gain)/loss on disposal of property, plant and equipment	5	**(475)**	81
Net gain on disposal of financial lease receivables	5	**(2,192)**	–
Finance costs	6(a)	**38,396**	62,233
Interest income	4	**(109,726)**	(106,123)
Share of profit of an associate		**(1,539,700)**	(1,973,982)
Operating profit before changes in working capital		**741,885**	530,135
(Increase)/decrease in inventories		**(100,457)**	39,258
(Increase)/decrease in restricted bank deposits		**(1,745)**	3,662
Increase in trade and other receivables		**(554,357)**	(141,575)
Increase/(decrease) in trade and other payables		**156,994**	(22,745)
Cash generated from operations		**242,320**	408,735

22 LOANS AND BORROWINGS

	2015 RMB'000	2014 RMB'000
Within one year		
Bank Loans	**50,000**	670,000
After one year but within two years		
Bank loans	**–**	130,000
After two year but within five years		
Bank loans	**480,000**	–
Subtotal	**480,000**	130,000
Total	**530,000**	800,000

(i) As at 31 December 2015, bank loans of RMB530,000,000 were denominated in RMB(2014: RMB800,000,000). No bank loan was denominated in foreign currencies as at 31 December 2015 (2014: Nil).

(ii) As at 31 December 2015, no bank loans bore fixed annual interest rate (2014: RMB40,000,000 at 5.4%). As at 31 December 2015, the bank loans of RMB530,000,000 (2014: RMB760,000,000) bore variable annual interest rates ranged from 3.92% to 4.28% (2014: 5.54% to 6.15%).

23 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**669,972**	521,280
Bills payable	**177,965**	139,138
	847,937	660,418
Receipts in advance	**24,863**	117,382
Other payables and accruals	**152,286**	229,909
Amounts due to third parties	**1,025,086**	1,007,709
Amounts due to related parties (Note 28(c))	**147,080**	59,342
Trade and other payables	**1,172,166**	1,067,051

As at 31 December 2015, certain bills payable were secured by the following assets of the Group:

	2015 RMB'000	2014 RMB'000
Restricted bank deposits	**1,745**	–

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

	2015 RMB'000	2014 RMB'000
Within 1 year	**827,421**	649,937
1 year to 2 years	**17,565**	10,481
2 years to 3 years	**2,951**	–
	847,937	660,418

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

NOTES TO THE FINANCIAL STATEMENTS

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015 **RMB'000**	2014 RMB'000
Balance at beginning of the year	**39,365**	8,263
Provision for current income tax for the year (Note 7(a))	**186,084**	103,069
Payments during the year	**(177,300)**	(71,967)
Income tax payables at the end of the year	**48,149**	39,365

(b) Deferred tax assets and liabilities recognised:

(i) Deferred tax assets recognised:

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

	Unrealised profit upon elimination RMB'000	**Impairment losses on trade receivables** RMB'000	**Taxable losses carried forward** RMB'000	**Total** RMB'000
Deferred tax arising from:				
At 1 January 2014	33,009	9,221	7,810	50,040
Charged to profit or loss	1,171	2,709	(7,756)	(3,876)
At 31 December 2014 and 1 January 2015	34,180	11,930	54	46,164
Charged to profit or loss	4,818	14,421	(54)	19,185
At 31 December 2015	38,998	26,351	–	65,349

(ii) Deferred tax liabilities not recognised:

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2015 in respect of undistributed earnings of RMB11,654,518,000 (2014: RMB9,751,138,000) because it is probable that they will not be distributable to the holding company outside the PRC in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000 Note25(c)	Share premium RMB'000 Note25(d)(i)	Exchange reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2014		14,347	3,146,587	(52)	(28,893)	3,131,989
Loss for the year		–	–	–	(12,835)	(12,835)
Other comprehensive income		–	–	52	–	52
Dividends approved in respect of the previous year		–	(356,528)	–	–	(356,528)
Balance at 31 December 2014 and 1 January 2015	29	**14,347**	**2,790,059**	**–**	**(41,728)**	**2,762,678**
Loss for the year		**–**	**–**	**–**	**(9,965)**	**(9,965)**
Dividends approved in respect of the previous year		**–**	**(577,204)**	**–**	**–**	**(577,204)**
Balance at 31 December 2015	29	**14,347**	**2,212,855**	**–**	**(51,693)**	**2,175,509**

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Pursuant to a resolution passed at the Directors' meeting on 24 March 2016, a final dividend of HKD0.30 (2014: HKD 0.40) per ordinary share totalling HKD541,425,000 (equivalent to approximately RMB453,389,000; 2014: RMB 577,204,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2015.

(i) Dividends payable to equity shareholders of the company attributable to the year

	2015 **RMB'000**	2014 RMB'000
Final dividend proposed after the end of the reporting period of HKD0.30 per ordinary share (2014: HKD0.40 per ordinary share)	**453,389**	577,204

(ii) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year

	2015 **RMB'000**	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.40 per ordinary share (2014: HKD0.25 per ordinary share)	**577,204**	356,528

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Authorised and issued share capital

	No. of shares ('000)	Amount HKD'000
Authorised:		
Ordinary shares of HKD0.01 each at 31 December 2015 and 2014	15,000,000	150,000

	No. of shares	Amount	
			Equivalent to
	('000)	HKD'000	RMB'000
Issued and fully paid:			
At 31 December 2015 and 2014	1,804,750	18,048	14,347

(d) 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.

The aggregated amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2015 was RMB2,161,162,000.

(ii) Capital reserve

Capital reserves as at 31 December 2014 and 2015 represent the share of non-distributable reserves of an associate at the respective dates.

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(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.

(iv) Capital risk management

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

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

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

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2015 and 2014 was 9.46% and 11.08%.

	2015 **RMB'000**	2014 RMB'000
Total liabilities	**1,750,315**	1,906,416
Total assets	**18,499,709**	17,206,867
Gearing ratio	**9.46%**	11.08%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing, except for the retention receivables which are due within one to two years. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In addition, the Group has gross amounts due from customers for construction contracts work and BOT arrangements. The Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and gross amounts due from customers for construction contract work are set out in Note 18.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 9% (2014:16%) and 26% (2014: 27%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

The Group does not provide any other guarantees which would expose the Group to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Liquidity risk

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

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

	At 31 December 2015				
	Contractual undiscounted cash outflow				
	Within one year or on demand RMB'000	**More than one year but less than two years RMB'000**	**More than two years but less than five years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Loans and borrowings	**75,274**	**22,428**	**486,809**	**584,511**	**530,000**
Trade and other payables	**1,172,166**	**–**	**–**	**1,172,166**	**1,172,166**
	1,247,440	**22,428**	**486,809**	**1,756,677**	**1,702,166**

	At 31 December 2014				
	Contractual undiscounted cash outflow				
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	707,471	132,442	–	839,913	800,000
Trade and other payables	1,067,051	–	–	1,067,051	1,067,051
	1,774,522	132,442	–	1,906,964	1,867,051

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

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from loans and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank and interest-bearing borrowings, and their interest rates as at 31 December 2015 and 2014 are set out as follows:

	2015		2014	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate:				
Bank loans and borrowings	**–**	**–**	5.40%	(40,000)
Bank deposits with maturity within three months	**1.10%–3.65%**	**1,712,451**	1.35%–4.80%	1,649,706
Bank deposits with maturity over three months	**–**	**–**	5.00%	650,000
		1,712,451		2,259,706
Variable rate:				
Cash at bank and on hand	**0.35%–1.50%**	**619,817**	0.35%–1.49%	407,877
Bank loans and borrowings	**3.92%–4.28%**	**(530,000)**	5.54%–6.15%	(760,000)
		89,817		(352,123)

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB189,000 (2014: decreased/increased by the Group's profit after tax and retained profits by RMB639,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. The analysis is performed on the same basis for 2014.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars, Euro and Japanese Yen. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

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

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	At 31 December 2015			
	USD RMB'000	**HKD RMB'000**	**JPY RMB'000**	**Total RMB'000**
Trade and other receivables	**44,818**	**577**	**–**	**45,395**
Trade and other payables	**–**	**(496)**	**–**	**(496)**
Cash and cash equivalents	**3,043**	**1,332**	**160**	**4,535**
Net exposure arising from — recognised assets and liabilities	**47,861**	**1,413**	**160**	**49,434**

	At 31 December 2014		
	USD RMB'000	HKD RMB'000	Total RMB'000
Trade and other receivables	10,642	–	10,642
Trade and other payables	(3,781)	(33)	(3,814)
Cash and cash equivalents	8,068	86,993	95,061
Net exposure arising from — recognised assets and liabilities	14,929	86,960	101,889

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

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure as at 31 December 2014 and 2015 has changed at those dates, assuming all other risk variables remained constant.

	2015		2014	
	Increase in foreign exchange rate	**Increase (decrease) in profit after tax and retained earnings RMB'000**	Increase in foreign exchange rate	Increase (decrease) in profit after tax and retained earnings RMB'000
USD	**1%**	**361**	1%	109
HKD	**1%**	**12**	1%	863
JPY	**1%**	**1**	1%	–
		374		972

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Fair values

The carrying amounts of gross amounts due from customers for BOT arrangement approximate their fair values which are determined based on the discounted cash flow approach. The estimated cash flows are based on the management's best estimates and the discount rate is market-related rate for a similar instrument at the balance sheet date.

All other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

27 COMMITMENTS

(a) Purchase commitments

At 31 December 2015, the Group had outstanding purchase commitments related to BOT construction contracts and capital commitments not provided for in the consolidated financial statements were as follows:

	2015 **RMB'000**	2014 RMB'000
Contracted for	**209,427**	476,459
Authorised but not contracted for	**846,320**	510,600
	1,055,747	987,059

(b) Operating lease commitments

As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015		2014	
	Properties **RMB'000**	**Others** **RMB'000**	Properties RMB'000	Others RMB'000
Within one year	**5,869**	**813**	304	305
After 1 year but within 2 years	**5,803**	**813**	–	–
Above 2 years	**4,271**	**813**	–	–
Total	**15,943**	**2,439**	304	305

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.

28 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party (i)	Relationship
CV Investment (ii) 安徽海螺創業投資有限責任公司	Fellow subsidiary and then equity holder
Kawasaki Heavy Industry Ltd.("Kawasaki HI") 川崎重工業株式會社	Investor of CK Engineering and CK Equipment
Conch Cement 安徽海螺水泥股份有限公司	(a) Certain directors of Conch Cement are also directors and shareholders of the Company; (b) the employees (primarily middle and senior management) of Conch Cement are the beneficial owners of the Company; (c) Conch Cement was the largest customer of the Group
Conch Holdings 安徽海螺集團有限責任公司	Associate of the Company
Shanghai Conch International Investment Development Co., Ltd. (ii) ("Conch IID Shanghai") 上海海螺國際投資發展有限公司	Subsidiary of CV Investment
Wuhu Conch Venture Property Management Co., Ltd. (ii) ("Conch Property Management") 蕪湖海螺物業管理有限公司	Subsidiary of CV Investment
Wuhu Conch Thermal Power Engineering Co., Ltd. (ii) ("CTPE") 蕪湖海螺熱能工程有限責任公司	Subsidiary of CV Investment
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") 安徽海螺川崎裝備制造有限公司	Joint venture of Conch Cement and Kawasaki HI
Conch Profiles 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings

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

(ii) Due to the change of equity shareholders of the Group, CV Investment and its subsidiaries ceased to be related parties of the Group since 19 June 2015.

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**3,052**	1,226
Post-employment benefits	**53**	68
	3,105	1,294

(b) Significant related party transactions

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

	2015 RMB'000	2014 RMB'000
Sales of goods		
Conch Cement	**261,917**	621,560
Kawasaki HI	**184,698**	93,066
Conch Design Institute	**70,576**	48,974
CKEM	**2,043**	5,380
Conch Holdings	**218**	–
Conch Profiles	**189**	–
CV Investment	**7**	–
	519,648	768,980

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2015	2014
	RMB'000	RMB'000
Service rendered		
Conch Cement	**77,453**	108,333
Conch Design Institute	**–**	760
CKEM	**375**	37
Kawasaki HI	**98**	347
Conch Profiles	**8**	–
	77,934	109,477

	2015	2014
	RMB'000	RMB'000
Purchase of Goods		
Conch Cement	**9,616**	16,590
Conch IT Engineering	**19,083**	16,476
Kawasaki HI	**23**	3,844
Conch IID Shanghai	**27,499**	56,718
CKEM	**16,613**	2,003
Conch Profiles	**415**	247
Conch Design Institute	**–**	5
	73,249	95,883

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Services received		
Conch Cement	**3,351**	1,846
Conch Design Institute	**8,294**	8,173
Conch IT Engineering	**2,574**	1,682
Conch IID Shanghai	**1,379**	2,795
CV Investment	**1,043**	2,895
Kawasaki HI	**5,235**	1,021
Conch Property Management	**1,139**	1,428
CKEM	**42**	69
CTPE	**758**	432
Conch Holdings	**10**	–
	23,825	20,341

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

(c) Balances with related parties

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

	2015 RMB'000	2014 RMB'000
Amounts due from		
Conch Cement	**120,353**	211,388
Conch IID Shanghai	**–**	4
CKEM	**352**	2,773
Kawasaki HI	**25,844**	19,070
Conch IT Engineering	**–**	704
Conch Design Institute	**26,654**	1,645
CV Investment	**–**	649
Conch Holdings	**14**	–
Conch Profiles	**111**	–
	173,328	236,233

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

	2015 **RMB'000**	2014 RMB'000
Amounts due to		
Conch Cement	**133,593**	31,763
Kawasaki HI	**–**	1,762
Conch IID Shanghai	**–**	2,909
Conch IT Engineering	**8,185**	4,289
CKEM	**5,220**	–
Conch Design Institute	**73**	18,619
Conch Profiles	**9**	–
	147,080	59,342

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of CV Investment, Kawasaki HI, Conch IID Shanghai, Conch Property Management and CKEM above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing connected transactions" of the Report of the Directors.

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Interests in a subsidiary		**678,880**	678,880
Current assets			
Trade and other receivables		**1,456,371**	2,003,500
Cash and cash equivalents		**41,653**	80,922
		1,498,024	2,084,422
Current liabilities			
Trade and other payables		**1,395**	624
Net current assets		**1,496,629**	2,083,798
Net assets		**2,175,509**	2,762,678
Capital and reserves	25(a)		
Share capital		**14,347**	14,347
Reserves		**2,161,162**	2,748,331
Total equity		**2,175,509**	2,762,678

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in Note 25(b).

NOTES TO THE FINANCIAL STATEMENTS

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts Basis for conclusions on IFRS 14 Illustrative examples on IFRS 14	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and IAS 41, Agriculture: Bearer plants	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
Amendments to IAS 7, Disclosure initiative	1 January 2017
Amendments to IAS 12, Income taxes Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IFRS for small and medium-sized entities Basis for conclusions	1 January 2017

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 *(Continued)*

	Effective for accounting periods beginning on or after
IFRS 15, Revenue from contracts with customers Basis for conclusions on IFRS 15 Illustrative examples on IFRS 15	1 January 2018
IFRS 9, Financial instruments (2014) Basis for conclusions on IFRS 9 (2014) Implementation guidance on IFRS 9 (2014)	1 January 2018
IFRS 9, Financial instruments (2009) Basis for conclusions on IFRS 9 (2009) Amendments to other IFRSs and guidance on IFRS 9 (2009)	1 January 2018
IFRS 9, Financial instruments (2010) Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2018
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2018
IFRS 9, Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2013) Basis for conclusions on IFRS 9 (2013) Implementation guidance on IFRS 9 (2013)	1 January 2018
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2018
IFRS 16, Leases Basis for conclusions on IFRS 16 Illustrative examples on IFRS 16	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.