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CONCH VENTURE

海螺环保

China Conch Environment Protection Holdings Limited

中國海螺環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 587)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2022 amounted to approximately RMB868.44 million, representing a year-on-year increase of 17.30%.
- Net profit attributable to equity shareholders of the Company for the six months ended 30 June 2022 amounted to approximately RMB249.08 million, representing a year-on-year decrease of 5.98%. Excluding the impact of listing expenses, net profit attributable to equity shareholders of the Company amounted to RMB267.67 million, representing a year-on-year increase of 1.04%.
- Basic earnings per share for the six months ended 30 June 2022 amounted to RMB0.14.
- The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

The board of directors (the “**Board**”) of China Conch Environment Protection Holdings Limited (the “**Company**”) hereby presents the unaudited results of operation and financial position of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”).

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 have been considered and approved by the Board and reviewed by the audit committee of the Board (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022 — UNAUDITED
(Expressed in Renminbi yuan)

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	3	868,437	740,358
Cost of sales		<u>(377,891)</u>	<u>(291,175)</u>
Gross profit		490,546	449,183
Other income	4	43,206	16,959
Distribution costs		(70,791)	(54,520)
Administrative expenses		<u>(113,225)</u>	<u>(76,884)</u>
Profit from operations		349,736	334,738
Finance costs	5(a)	(43,386)	(18,932)
Share of profits of associates	8	<u>5,862</u>	<u>6,845</u>
Profit before taxation	5	312,212	322,651
Income tax	6	<u>(34,238)</u>	<u>(21,153)</u>
Profit for the period		<u>277,974</u>	<u>301,498</u>
Attributable to:			
Equity shareholders of the Company		249,080	264,930
Non-controlling interests		<u>28,894</u>	<u>36,568</u>
Profit for the period		<u>277,974</u>	<u>301,498</u>
Earnings per share	7		
— Basic (RMB)		0.14	0.15
— Diluted (RMB)		<u>0.14</u>	<u>0.14</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022 — UNAUDITED

(Expressed in Renminbi yuan)

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	277,974	301,498
Other comprehensive income for the period (after tax and reclassification adjustments)	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>277,974</u>	<u>301,498</u>
Attributable to:		
Equity shareholders of the Company	249,080	264,930
Non-controlling interests	<u>28,894</u>	<u>36,568</u>
Total comprehensive income for the period	<u>277,974</u>	<u>301,498</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022 — UNAUDITED

(Expressed in Renminbi yuan)

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		5,712,296	5,170,495
Right-of-use assets		215,843	197,156
Intangible assets		133,567	63,047
Goodwill		9,219	5,815
Interests in associates	8	72,081	68,839
Non-current portion of trade and other receivables	9	196,838	293,062
Deferred tax assets		8,062	8,309
		6,347,906	5,806,723
Current assets			
Inventories		16,241	8,061
Trade and other receivables	9	1,043,887	1,024,495
Restricted bank deposits		21,074	58,149
Bank deposits with original maturity over three months		–	1,680
Cash and cash equivalents		655,719	596,113
Financial assets measured at FVPL		–	15,000
		1,736,921	1,703,498
Current liabilities			
Loans and borrowings		686,315	634,033
Trade and other payables	10	1,076,918	1,330,427
Contract liabilities		16,854	9,858
Lease liabilities		274	530
Income tax payables		31,768	19,823
		1,812,129	1,994,671
Net current liabilities		(75,208)	(291,173)
Total assets less current liabilities		6,272,698	5,515,550

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2022 — UNAUDITED

(Expressed in Renminbi yuan)

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities		
Loans and borrowings	2,942,711	2,409,828
Lease liabilities	3,723	3,606
Deferred tax liabilities	28,630	12,196
	<u>2,975,064</u>	<u>2,425,630</u>
Net assets	<u>3,297,634</u>	<u>3,089,920</u>
Capital and reserves		
Share capital	14,837	–
Reserves	2,634,145	2,420,593
Equity attributable to equity shareholders of the Company	2,648,982	2,420,593
Non-controlling interests	<u>648,652</u>	<u>669,327</u>
Total equity	<u>3,297,634</u>	<u>3,089,920</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2021, the latest reporting date of the historical financial information of the Group set forth in the Accountants’ Report included in the Listing Document of the Company. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

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

2 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board (“IASB”) has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provision of treatment solutions for industrial solid waste and hazardous waste.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category for the six months ended 30 June 2022 and 30 June 2021 recognised in the consolidated statements of profit or loss and other comprehensive income are as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15, all recognised over time		
Solid and hazardous waste solutions		
— Industrial solid waste	286,549	204,158
— General hazardous waste	496,873	465,851
— Oil sludge	55,249	42,350
— Fly ash	29,766	27,999
	<u>868,437</u>	<u>740,358</u>

For the six months ended 30 June 2022, there was no customer from which revenue accounted for 10% or more of the Group's revenue.

(b) Segment reporting

(i) Services from which reportable segments derive their revenue

Information reported to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on solid and hazardous waste solutions. Resources are allocated based on what is beneficial for the Group in enhancing its solid and hazardous waste solutions activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of IFRS 8, Operating segments.

(ii) Geographic information

The geographical location of revenue is based on the selling location. All of the Group's revenue from external customers is from the PRC. The geographical location of the specified non-current assets (primarily property, plant and equipment, right-of-use assets, intangible assets, goodwill, interests in associates) is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates. During the Relevant Periods, substantially all of the Group's specified non-current assets are physically located in the PRC.

4 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income on bank deposits	4,719	5,078
Government grants	35,060	10,506
Net gain/(loss) on disposal of right-of-use assets and property, plant and equipment	88	(2)
Recognition of negative goodwill as income	–	644
Gains from debt restructuring	1,635	–
Others	1,704	733
	<u>43,206</u>	<u>16,959</u>

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest on loans and borrowings	63,947	27,557
Interest on lease liabilities	92	89
	<u>64,039</u>	<u>27,646</u>
Total interest expense on financial liabilities not at fair value through profit or loss	64,039	27,646
Less: interest expense capitalised in construction in progress	(20,653)	(8,714)
	<u>43,386</u>	<u>18,932</u>

(b) **Other items:**

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of services provided	377,891	291,175
Depreciation of owned property, plant and equipment	98,337	62,828
Listing fees	18,593	–
Depreciation of right-of-use assets	3,371	1,778
Amortisation of intangible assets	3,519	3,376
Loss allowance for trade receivables	1,127	3,120
Short-term lease payments not included in the measurement of lease liabilities	2,149	772

6 INCOME TAX

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the period	–	–
Current tax — PRC Income Tax		
Provision for the period	34,128	23,007
Under provision in respect of prior years	551	151
Deferred tax:		
Origination and reversal of temporary differences, net	(441)	(2,005)
	34,238	21,153

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) The estimated annual effective tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax is 16.5% (2021: 16.5%) to the six months ended 30 June 2022. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.
- (c) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.
- (d) Pursuant to Notice No.14 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.
- (e) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in solid waste solutions are eligible for income tax exemption for the first three years starting from the year in which revenue is generated and 50% income tax reduction for the next three years.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2022 of RMB249,080,000 (30 June 2021: RMB264,930,000) and the weighted average number of ordinary shares of 1,826,765,059 in issue (30 June 2021: 1,826,765,059).

8 INTERESTS IN ASSOCIATES

As at 30 June 2022, interests in associates represented share of net assets of four associates that are not individually material. For the six months period ended 30 June 2022, the Group recognised share of profits of associates in the amount of RMB5,862,000 in the consolidated statement of profit or loss (six months ended 30 June 2021: RMB6,845,000).

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables		
— Third parties	855,582	681,441
— Related parties	178	17,125
Bills receivable	78,865	89,009
Less: loss allowance for doubtful debts	(33,196)	(32,276)
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Trade and bills receivables	901,429	755,299
Other receivables		
— Deposits and prepayments	23,723	18,576
— VAT recoverable	87,165	82,821
— Others	30,913	12,933
	<hr/>	<hr/>
	1,043,230	869,629
Amounts due from related parties		
— Advances to related parties	–	150,000
— Others	657	4,866
	<hr/>	<hr/>
Current portion of trade and other receivables	1,043,887	1,024,495
Other receivables and prepayments to be recovered after one year	196,838	293,062
Non-current portion of trade and other receivables	196,838	293,062
	<hr/> <hr/>	<hr/> <hr/>
Total current and non-current trade and other receivables	1,240,725	1,317,557

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

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

Ageing analysis

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Current	740,172	671,366
Less than 1 year	159,684	82,692
1 to 2 years	1,573	1,241
	<u>901,429</u>	<u>755,299</u>

10 TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payables		
— Third parties	130,599	90,799
— Related parties	29,524	32,924
Bills payable	21,673	39,880
	<u>181,796</u>	<u>163,603</u>
Trade and bills payables	181,796	163,603
Other payables and accruals		
— Construction and equipment payables	701,748	377,444
— Deposits	26,297	35,593
— Other taxes and surcharges payables	4,228	3,676
— Accrued payroll and other benefits	5,042	99,758
— Accrued expenses	56,045	75,204
— Others	46,095	29,503
	<u>1,021,251</u>	<u>784,781</u>
Dividends payable to the then shareholders	50,316	36,247
Amounts due to related parties		
— Construction and equipment payables	4,790	508,288
— Others	561	1,111
	<u>5,351</u>	<u>509,400</u>
Trade and other payables	<u>1,076,918</u>	<u>1,330,427</u>

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

	At 30 June 2021 RMB'000	At 31 December 2021 RMB'000
Within 1 year	181,796	163,603
1 year to 2 years	–	–
2 years to 3 years	–	–
	<hr/>	<hr/>
	<u>181,796</u>	<u>163,603</u>

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

11 DIVIDENDS

No interim dividend was declared or paid for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ENVIRONMENT

Since 2022, the increasingly complex and severe international environment and the spread of the domestic epidemic has brought serious impact on economy. Under the Chinese government's macro-control policy, the epidemic prevention and control and economic and social development have been coordinated, with GDP growth of approximately 2.5% over the previous year.

In the first half of 2022, under the leadership of the Board, the Group strived to overcome the adverse factors such as disrupted logistics and transportation and the decline in waste generation due to the reduction and suspension of production of industrial enterprises caused by the COVID-19 epidemic, actively expanded its market and strengthened its internal management to continuously improve its production and operation level. During the Reporting Period, the Group recorded a net profit attributable to equity shareholders of the Company of RMB249 million, representing a year-on-year decrease of 5.98%. Excluding the impact of listing expenses, net profit attributable to equity shareholders of the Company amounted to RMB268 million, representing a year-on-year increase of 1.04%.

BUSINESS REVIEW

Since 2022, the Group has stuck to the main line of cement kiln co-processing treatment business and pressed on with the development of various businesses such as sludge, fly ash and oil sludge, by which the Group achieved a continuous increase in the scale of production capacity, steady improvement in market operation and maintenance capabilities, remarkable results of technical transformation measures, and enhancement of the Group's brand influence, and demonstrated a generally stably positive development momentum.

As of the Reporting Period, the Group secured a total of 108 environmental protection projects in 22 provinces, municipalities and autonomous regions nationwide, which included 46 general hazardous waste projects, 27 fly ash washing projects, 9 oil sludge treatment projects and 26 industrial solid waste projects, with an annual treatment capacity of approximately 11.45 million tonnes of solid and hazardous waste.

Industrial hazardous waste treatment

1) Project expansion

In the first half of 2022, the Group made full use of existing cement kiln resources and took into account business segments to refine project network and continued to enhance strategic partnership with cement enterprises while actively participating in exchanges with cement enterprises in blank market. During the Reporting Period, the Group signed a strategic cooperation framework agreement with China Gezhouba Group Cement Co., Ltd to achieve complementary advantages and promote in-depth cooperation, and successfully acquired the hazardous waste project in Shaoguan, Guangdong and the oil sludge project in Zhoushan, Zhejiang, which further improved the network of the hazardous waste market in the Pearl River Delta region, enhanced regional market competitiveness and bridged the gap in the oil sludge market in Zhejiang regions to expand the nationwide distribution network of oil sludge business.

During the Reporting Period, the Group secured 7 new industrial hazardous waste treatment projects, with a production capacity of 736,000 tonnes/year, including 2 general hazardous waste projects in Shaoguan, Guangdong Province and Junlian, Sichuan Province, with a production capacity of 400,000 tonnes/year, 4 fly ash washing projects in Xingtai, Hebei Province, Fusui, Guangxi Province, Baoding, Hebei Province and Liangping, Chongqing Municipality, with a production capacity of 300,000 tonnes/year and 1 oil sludge treatment project in Zhoushan, Zhejiang Province, with a production capacity of 36,000 tonnes/year.

2) *Project operation*

During the Reporting Period, in terms of customer retention and market expansion, the Group seized key customer resources and signed contracts with 2,033 new customers. The proportion of large corporate customers has steadily increased, and the Group has established cooperative relationships with key customers such as BYD Company Limited and Changqing Oilfield Branch of PetroChina Company Limited. At the same time, the Group made every effort to promote inter-provincial transfer business, by which the number of transfer contracts increased compared with the same period last year, and the Group successfully opened up inter-provincial transfer channels in Shanghai and Zhejiang. The Group also researched and formulated a price adjustment mechanism for solid and hazardous waste, which effectively standardized the management and operation mechanism of solid and hazardous waste treatment price of the Group, and formulated and issued an incentive policy for marketing personnel, which extensively mobilized the enthusiasm and initiative of the marketing personnel. In terms of production operation, the Group adhered to the operating principle of cost-efficiency, comprehensively promoted technical transformation measures, and implemented technological transformations such as “terrace furnace and hot disc furnace” and “one machine, two kilns”, etc., which effectively shortened the treatment duration.

During the Reporting Period, the Group managed to overcome the negative factors such as fierce competition in the market and overall sluggish prices in the industry. The total treatment volume of industrial hazardous waste of the Group was 406,100 tonnes, representing a year-on-year increase of 23.29%, among which of approximately 338,300 tonnes were general hazardous waste, approximately 45,400 tonnes were oil sludge and approximately 22,400 tonnes were fly ash.

Industrial solid waste treatment

1) *Project expansion*

In the first half of 2022, the Group actively conducted research on the solid waste market and made adjustments to project planning based on the research, and gradually improved the network of sludge drying and other projects. During the Reporting Period, the Group secured 3 new industrial solid waste treatment projects, with a production capacity of 232,000 tonnes/year, including Sichuan Mianyang, Liangping sludge and Wuhu sludge.

2) *Project operation*

The Group continued to broaden its solid waste treatment business channels and signed contracts with 183 new customers and recorded a significant increase in the number of orders with a secured supply of solid waste. During the Reporting Period, the total treatment volume of industrial solid waste of the Group was approximately 897,900 tonnes, representing a year-on-year increase of 44.39%.

As at 30 June 2022, details of general hazardous waste treatment projects of the Group are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Fuping, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016
2		Qian County, Shaanxi Province	70,000 tonnes/year	63,600 tonnes/year	April 2017
3		Wuhu, Anhui Province	200,000 tonnes/year	130,000 tonnes/year	December 2017
4		Yiyang, Jiangxi Province	200,000 tonnes/year	170,000 tonnes/year	May 2018
5		Xingye, Guangxi Province	200,000 tonnes/year	161,500 tonnes/year	August 2018
6		Suzhou, Anhui Province	200,000 tonnes/year	125,000 tonnes/year	August 2018
7		Qianyang, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	October 2018
8		Zhong County, Chongqing Municipality	200,000 tonnes/year	130,000 tonnes/year	June 2019
9		Tongchuan, Shaanxi Province	100,000 tonnes/year	81,500 tonnes/year	August 2019
10		Wenshan, Yunnan Province	100,000 tonnes/year	66,000 tonnes/year	August 2019
11		Sanming, Fujian Province	100,000 tonnes/year	20,500 tonnes/year	August 2019
12		Qingzhen, Guizhou Province	100,000 tonnes/year	100,000 tonnes/year	September 2019
13		Yixing, Jiangsu Province	100,000 tonnes/year	100,000 tonnes/year	December 2019
14		Sishui, Shandong Province	100,000 tonnes/year	14,900 tonnes/year	January 2020
15		Qiyang, Hunan Province	100,000 tonnes/year	69,500 tonnes/year	January 2020
16		Yangchun, Guangdong Province	100,000 tonnes/year	65,300 tonnes/year	August 2020
17		Luoyang, Henan Province	100,000 tonnes/year	72,000 tonnes/year	December 2020
18		Jiyuan, Henan Province	100,000 tonnes/year	50,000 tonnes/year	December 2020
19		Dezhou, Shandong Province	100,000 tonnes/year	75,000 tonnes/year	December 2020
20		Tai'an, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	December 2020
21		Wuhu, Anhui Province	16,500 tonnes/year	16,500 tonnes/year	January 2021
22		Linxiang, Hunan Province	100,000 tonnes/year	88,500 tonnes/year	January 2021
23		Chongzuo, Guangxi Province	100,000 tonnes/year	85,000 tonnes/year	March 2021
24		Long'an, Guangxi Province	100,000 tonnes/year	70,000 tonnes/year	March 2021
25		Ninghai, Zhejiang Province	100,000 tonnes/year	100,000 tonnes/year	May 2021
26		Guilin, Guangxi Province	100,000 tonnes/year	60,000 tonnes/year	July 2021
27		Dengfeng, Henan Province	100,000 tonnes/year	80,000 tonnes/year	July 2021
28		Ningguo, Anhui Province	100,000 tonnes/year	70,000 tonnes/year	January 2022
29		Nanjing, Jiangsu Province	100,000 tonnes/year	94,600 tonnes/year	January 2022
30		Pingliang, Gansu Province	130,000 tonnes/year	60,000 tonnes/year	June 2022
31		Hulunbuir, Inner Mongolia	50,000 tonnes/year	35,000 tonnes/year	June 2022
32		Arong Qi, Inner Mongolia	100,000 tonnes/year	85,000 tonnes/year	June 2022
33		Jiayuguan, Gansu Province	200,000 tonnes/year	100,000 tonnes/year	June 2022
34		Fuyang, Zhejiang Province	200,000 tonnes/year	90,000 tonnes/year	June 2022
Subtotal			3,966,500 tonnes/year	2,829,400 tonnes/year	

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
35	Under construction	Fuzhou, Jiangxi Province	100,000 tonnes/year	/	September 2022
36		Shaoguan, Guangdong Province	200,000 tonnes/year		December 2022
37		Yunfu, Guangdong Province	100,000 tonnes/year		January 2023
Subtotal			400,000 tonnes/year		
38	To be constructed	Ganzhou, Jiangxi Province	200,000 tonnes/year	/	/
39		Luoding, Guangdong Province	80,000 tonnes/year		
40		Baoshan, Yunnan Province	100,000 tonnes/year		
41		Qingyuan, Guangdong Province	100,000 tonnes/year		
42		Dazhou, Sichuan Province	200,000 tonnes/year		
43		Ordos, Inner Mongolia	100,000 tonnes/year		
44		Longkou, Shandong Province	200,000 tonnes/year		
45		Yongdeng, Gansu Province	100,000 tonnes/year		
46		Junlian, Sichuan Province	200,000 tonnes/year		
Subtotal			1,280,000 tonnes/year		
Total			5,646,500 tonnes/year	2,829,400 tonnes/year	

As at 30 June 2022, details of fly ash washing projects of the Group are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Actual/Expected Completion Date
1	In operation	Wuhu, Anhui Province	100,000 tonnes/year	December 2020
2		Yiyang, Hunan Province*	49,500 tonnes/year	March 2022
3		Yiyang, Jiangxi Province	100,000 tonnes/year	March 2022
4	Under construction	Quanjiao, Anhui Province	100,000 tonnes/year	October 2022
5		Qian County, Shaanxi Province	50,000 tonnes/year	January 2023
6	To be constructed	Chaohu, Anhui Province	100,000 tonnes/year	/
7		Jining, Shandong Province	100,000 tonnes/year	
8		Xin'an, Henan Province	50,000 tonnes/year	
9		Rizhao, Shandong Province	100,000 tonnes/year	
10		Qingzhen, Guizhou Province	100,000 tonnes/year	
11		Changjiang, Hainan Province	100,000 tonnes/year	
12		Yangchun, Guangdong Province	50,000 tonnes/year	
13		Xinhua, Hunan Province	50,000 tonnes/year	
14		Dengzhou, Henan Province	50,000 tonnes/year	
15		Anyang, Henan Province	100,000 tonnes/year	
16		Longyan, Fujian Province	100,000 tonnes/year	
17		Changzhi, Shanxi Province	50,000 tonnes/year	
18		Guiding, Guizhou Province	50,000 tonnes/year	
19		Yongdeng, Gansu Province	50,000 tonnes/year	
20		Beiliu, Guangxi Province	100,000 tonnes/year	
21		Tongren, Guizhou Province	100,000 tonnes/year	
22		Yiyang, Henan Province	100,000 tonnes/year	
23		Sanming, Fujian Province	300,000 tonnes/year	
24		Xingtai, Hebei Province	100,000 tonnes/year	
25		Fusui, Guangxi Province	100,000 tonnes/year	
26	Baoding, Hebei Province	50,000 tonnes/year		
27	Liangping, Chongqing Municipality	50,000 tonnes/year		
Total			2,349,500 tonnes/year	

As at 30 June 2022, details of oil sludge treatment projects of the Group are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Yulin, Shaanxi Province (Phase 1)	100,000 tonnes/year	100,000 tonnes/year	May 2020 (Acquisition)
2		Binzhou, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	May 2021 (Acquisition)
3		Dongying, Shandong Province (Phase 1)	80,000 tonnes/year	80,000 tonnes/year	January 2022
4	Under construction	Yulin, Shaanxi Province (Phase 2)	100,000 tonnes/year	/	September 2022
5		Jinzhou, Liaoning Province	Oil sludge treatment: 20,000 tonnes/year Incineration: 42,000 tonnes/year	/	December 2022
6	To be constructed	Dongying, Shandong Province (Phase 2)	80,000 tonnes/year	/	/
7		Leizhou, Guangdong Province	Oil sludge treatment: 150,000 tonnes/year Comprehensive utilization of resources: 50,000 tonnes/year		
8		Yan'an, Shaanxi Province	170,000 tonnes/year		
9		Changjiang, Hainan Province	50,000 tonnes/year		
10		Zhoushan, Zhejiang Province	36,000 tonnes/year		
11		Qingyang, Gansu Province	80,000 tonnes/year		
Total			1,058,000 tonnes/year	280,000 tonnes/year	

As at 30 June 2022, details of industrial solid waste treatment projects of the Group are set out in the following table:

No.	Status of Construction	Project Location	Production Capacity	Actual/Expected Completion Date
1	In operation	Huaining, Anhui Province	70,000 tonnes/year	September 2017
2		Mian County, Shaanxi Province *	16,500 tonnes/year	October 2017
3		Huaibei, Anhui Province*	2×66,000 tonnes/year	December 2017
4		Liangping, Chongqing Municipality	75,000 tonnes/year	September 2019
5		Guangyuan, Sichuan Province	70,000 tonnes/year	January 2020
6		Fanchang, Anhui Province	210,000 tonnes/year	July 2020
7		Chizhou, Anhui Province	100,000 tonnes/year	November 2020
8		Yiyang, Hunan Province*	66,200 tonnes/year	January 2021
9		Baoding, Hebei Province	100,000 tonnes/year	March 2021
10		Quanjiao, Anhui Province	60,000 tonnes/year	July 2021
11		Zongyang, Anhui Province	100,000 tonnes/year	July 2021
12		Xinhua, Hunan Province	66,000 tonnes/year	January 2022
13		Xin'an, Henan Province	50,000 tonnes/year	June 2022
Subtotal			1,115,700 tonnes/year	
14	Under construction	Chaohu, Anhui Province	200,000 tonnes/year	October 2022
15		Wuhu, Anhui Province (sludge)	66,000 tonnes/year	November 2022
Subtotal			266,000 tonnes/year	
16	To be constructed	Rizhao, Shandong Province	100,000 tonnes/year	/
17		Quzhou, Zhejiang Province	100,000 tonnes/year	
18		Changzhi, Shanxi Province	50,000 tonnes/year	
19		Wolong, Henan Province	100,000 tonnes/year	
20		Dengzhou, Henan Province	50,000 tonnes/year	
21		Anyang, Henan Province	100,000 tonnes/year	
22		Tengzhou, Shandong Province	201,500 tonnes/year	
23		Guiding, Guizhou Province	50,000 tonnes/year	
24		Jiande, Zhejiang Province	100,000 tonnes/year	
25		Mianyang, Sichuan Province	100,000 tonnes/year	
26	Liangping, Chongqing Municipality(sludge)	66,000 tonnes/year		
Subtotal			1,017,500 tonnes/year	
Total			2,399,200 tonnes/year	

Note*: The treatment capacity of the above projects is adjusted to the production capacity pursuant to the environmental impact assessment approvals obtained.

During the Reporting Period, the Group had reached a treatment capacity of approximately 11,453,200 tonnes/year of solid and hazardous waste, the details of which are set out in the following table:

(Unit:10,000 tonnes/year)

Category	General Hazardous Waste			Fly Ash Washing			Oil Sludge Treatment			Industrial Solid Waste		
	In operation	Under construction	To be constructed	In operation	Under construction	To be constructed	In operation	Under construction	To be constructed	In operation	Under construction	To be constructed
Scale	396.65	40	128	24.95	15	195	28	16.2	61.6	111.57	26.6	101.75

PROFITS

Item	January – June 2022 Amount (RMB'000)	January – June 2021 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year
			(%)
Revenue	868,437	740,358	17.30
Profit before taxation	312,212	322,651	-3.24
Profit for the period	277,974	301,498	-7.80
Net profit attributable to equity shareholders of the Company	<u>249,080</u>	<u>264,930</u>	<u>-5.98</u>

During the Reporting Period, the Group recorded a revenue of RMB868.44 million, representing a year-on-year increase of 17.30%. Profit before taxation amounted to RMB312.21 million, representing a year-on-year decrease of 3.24%. Profit for the period amounted to RMB277.97 million, representing a year-on-year decrease of 7.80%. Net profit attributable to equity shareholders of the Company amounted to RMB249.08 million, representing a year-on-year decrease of 5.98%. Excluding the impact of listing expenses, net profit attributable to equity shareholders of the Company amounted to RMB267.67 million, representing a year-on-year increase of 1.04%. Basic earnings per share amounted to RMB0.14.

Revenue by business stream

Item	January – June 2022		January – June 2021		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Industrial hazardous						
waste treatment services	581,888	67.00	536,200	72.42	8.52	-5.42
General hazardous waste	496,873	57.21	465,851	62.92	6.66	-5.71
Oil sludge	55,249	6.36	42,350	5.72	30.46	0.64
Fly ash	29,766	3.43	27,999	3.78	6.31	-0.35
Industrial solid waste						
treatment services	286,549	33.00	204,158	27.58	40.36	5.42
Total	<u>868,437</u>	<u>100.00</u>	<u>740,358</u>	<u>100.00</u>	<u>17.30</u>	<u>-</u>

During the Reporting Period, our revenue was derived from two business streams, namely (i) industrial hazardous waste treatment services; and (ii) industrial solid waste treatment services. With a breakdown by streams:

- (i) Revenue from industrial solid waste treatment services was RMB581.89 million, representing a year-on-year increase of 8.52%, of which:

Revenue from general hazardous waste was RMB496.87 million, representing a year-on-year increase of 6.66%. The increase in revenue was primarily due to the commencement of operation of the Group's new projects in Nanjing and Ningguo, as well as the rapid year-on-year growth of the projects in Jining, Dezhou, Qiyang, Chongqing and Linxiang.

Revenue from oil sludge was RMB55.25 million, representing a year-on-year increase of 30.46%. This was primarily due to the commencement of operation of the Group's new project in Dongying, resulting in the increase in revenue from treatment.

Revenue from fly ash was RMB29.77 million, representing a year-on-year increase of 6.31%, which was primarily due to the year-on-year increase in the price of fly ash.

- (ii) Revenue from industrial solid waste treatment services was RMB286.55 million, representing a year-on-year increase of 40.36%. The rapid growth in revenue was primarily due to the year-on-year growth in results of the Group's projects in Quanjiao, Zongyang, Chizhou, Fanchang, Guangyuan and Huaibei.

Gross profit and gross profit margin

Item	January – June 2022		January – June 2021		Change in amount (%)	Change in percentage (percentage points)
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)		
Industrial hazardous waste						
treatment services	314,303	54.01	330,354	61.61	-4.86	-7.60
General hazardous waste	289,743	58.31	307,379	65.98	-5.74	-7.67
Oil sludge	30,046	54.38	14,120	33.34	112.79	21.04
Fly ash	-5,486	-18.43	8,855	31.63	-161.95	-50.06
Industrial solid waste						
treatment services	176,243	61.51	118,829	58.20	48.32	3.31
Total	490,546	56.49	449,183	60.67	9.21	-4.18

During the Reporting Period, the gross profit of the Group's products was RMB490.55 million, representing a year-on-year growth of 9.21%; and the consolidated gross profit margin was 56.49%, representing a year-on-year decrease of 4.18 percentage points. With a breakdown by streams:

- (i) Gross profit margin for industrial hazardous waste treatment services was 54.01%, representing a year-on-year decrease of 7.60 percentage points. Among which:

Gross profit margin for general hazardous waste was 58.31%, representing a year-on-year decrease of 7.67 percentage points. This was primarily because: (1) the recurrence of COVID-19 epidemic in China led to limited transportation and the suspension of industrial enterprises and the decline in waste generation, resulting from the limited inputs for companies in Eastern China, Southern China and Northwestern China, and thus a decrease in revenue; (2) the change in general hazardous waste product structure led to a year-on-year decrease in the average treatment price; and (3) the revenue of companies in Northern China fell short as a result of a relatively short period of production, which led to higher fixed costs.

Gross profit margin for oil sludge treatment was 54.38%, representing a year-on-year increase of 21.04 percentage points. The significant increase in gross profit margin was primarily due to the continuous optimization of the production process of oil sludge projects by the Group, which enhanced treatment capacity and reduced production costs.

Gross profit margin for fly ash treatment was -18.43%. The year-on-year decrease was primarily because: (1) a higher inventory level led to the decreased input volume during the optimization of the treatment process of the project in Wuhu, resulting in an increase in cost dilution; and (2) the change in market structure and increase in transportation cost of some customers.

- (ii) Gross profit margin for industrial solid waste treatment services was 61.51%, representing a year-on-year increase of 3.31 percentage points. The increase in gross profit margin was primarily due to the Group's aggressive expansion in the solid waste market and the increase in treatment volume, which led to significant dilution of unit cost.

Other income

During the Reporting Period, the Group's other income amounted to RMB43.21 million, representing a year-on-year increase of RMB26.25 million, or 155%, primarily due to the year-on-year increase in government grants received by the Group for projects in Yangchun and Wuhu.

Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB70.79 million, representing a year-on-year increase of RMB16.27 million, or 29.85%, primarily due to the increase in labour cost and business development service fees as a result of the increased number of projects in operation of the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB113.23 million, representing a year-on-year increase of RMB36.34 million, or 47.27%, primarily due to the increase in listing expenses and the increase in management salaries and office depreciation due to the increase in number of management staff as a result of the rapid growth of the Group.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB43.39 million, representing a year-on-year increase of RMB24.45 million, or 129.17%. The increase in finance costs was primarily due to new bank loans raised by the Group.

Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB312.21 million, representing a year-on-year decrease of RMB10.44 million, or 3.24%. Excluding the impact of listing expenses, profit before taxation amounted to RMB330.81 million, representing a year-on-year increase of 2.53%.

FINANCIAL POSITION

As at 30 June 2022, the Group's total assets amounted to RMB8,084.83 million, representing an increase of RMB574.61 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB2,648.98 million, representing an increase of RMB228.39 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 59.21%, representing an increase of 0.35 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 30 June 2022 (RMB'000)	As at 31 December 2021 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	5,712,296	5,170,495	10.48
Non-current assets	6,347,906	5,806,723	9.32
Current assets	1,736,921	1,703,498	1.96
Non-current liabilities	2,975,064	2,425,630	22.65
Current liabilities	1,812,129	1,994,671	-9.15
Net current liabilities	75,208	291,173	-74.17
Equity attributable to equity Shareholders of the Company	2,648,982	2,420,593	9.44
Total assets	8,084,827	7,510,221	7.65
Total liabilities	4,787,193	4,420,301	8.30

Non-current assets and current assets

As at 30 June 2022, non-current assets of the Group amounted to RMB6,347.91 million, representing an increase of 9.32% as compared to the end of the previous year, primarily due to the increase in property, plant and equipment.

Current assets of the Group amounted to RMB1,736.92 million, representing an increase of 1.96% as compared to the end of the previous year, primarily due to the increase in cash and cash equivalents and trade and other receivables.

Non-current liabilities and current liabilities

As at 30 June 2022, non-current liabilities of the Group amounted to RMB2,975.06 million, representing an increase of 22.65% as compared to the end of the previous year, primarily due to the new long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB1,812.13 million, representing a decrease of 9.15% as compared to the end of the previous year, primarily due to the year-on-year decrease in trade and other payables of the Group.

As at 30 June 2022, current ratio and debt-to-equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 0.96 and 1.10, respectively, as compared to 0.85 and 0.99, respectively, as at the end of the previous year.

Net current liabilities

As at 30 June 2022, net current liabilities of the Group amounted to RMB75.21 million, representing a decrease of RMB215.97 million as compared to the end of the previous year. The decrease was primarily due to the faster payment of trade and other payables of the Group.

Equity attributable to equity shareholders of the Company

As at 30 June 2022, the equity attributable to equity shareholders of the Company amounted to RMB2,648.98 million, representing an increase of 9.44% as compared to the end of the previous year, primarily due to increases in net profit from principal businesses attributable to the equity shareholders of the Group.

LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group formulated reasonable capital planning and strengthened centralized capital management to fully satisfy the Group's capital needs. As at 30 June 2022, the Group's cash and cash equivalents amounted to RMB655.72 million, which were mainly denominated in RMB and HKD.

Bank loans

Item	As at 30 June 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Due within one year	686,315	634,033
Due after one year but within two years	609,238	343,522
Due after two years but within five years	2,028,686	1,766,994
Due after five years	304,787	299,312
Total	<u>3,629,026</u>	<u>3,043,861</u>

As at 30 June 2022, the balance of bank loans of the Group amounted to RMB3,629.03 million, representing an increase of RMB585.17 million as compared to the end of the previous year, primarily due to the new bank loans due within five years raised by the Group during the Reporting Period. As at 30 June 2022, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

Cash flows

As at 30 June 2022, the Group's balance of cash and cash equivalents was RMB655.72 million, representing a year-on-year increase of RMB158.91 million.

Item	January to June 2022 (RMB'000)	January to June 2021 (RMB'000)
Net cash generated from operating activities	242,013	297,268
Net cash used in investing activities	-628,599	-856,794
Net cash generated from financing activities	446,192	417,555
Net (decrease)/increase in cash and cash equivalents	59,606	-141,971
Cash and cash equivalents at the beginning of the period	596,113	638,784
Cash and cash equivalents at the end of the period	<u>655,719</u>	<u>496,813</u>

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB242.01 million, representing a year-on-year decrease of RMB55.26 million, which was mainly due to the increase in cash expenditures for the purchase of auxiliary materials and spare parts and payment of labour services for the Group's newly secured projects and the increase in turnover days of accounts receivable.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB628.60 million, representing a year-on-year decrease of RMB228.19 million, primarily due to the decrease in payment for construction of plants and purchase of equipment and property during the Reporting Period.

Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB446.19 million, representing a year-on-year increase of RMB28.64 million, primarily due to the increase in proceeds from bank loans.

COMMITMENTS

As at 30 June 2022, purchase commitments of the Group in connection with construction contracts were as follows:

Item	As at 30 June 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Contracted for	454,312	504,362
Authorized but not contracted for	95,387	793,689
Total	<u>549,699</u>	<u>1,298,051</u>

FOREIGN EXCHANGE RISK

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

The Group did not use any financial derivatives to hedge against any foreign exchange risks.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2022, the bank loans of the Group amounting to RMB49,285,714.29 (31 December 2021: RMB50,000,000) were secured by right-of-use assets provided by Luoyang Haizhong Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

MATERIAL INVESTMENTS

During the Reporting Period, the Group did not have any material investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS ACQUISITION

During the Reporting Period, the Board has not approved any other material investment or capital asset acquisition.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In March 2022, the Company acquired 51% equity interest in Shaoguan Conch Venture Hongfeng Green Environmental Protection Technology Co., Ltd. (韶關海創鴻豐綠色環保科技有限公司), with a capital contribution of RMB34,510,000. The investment represented less than 5% of the Group's total assets as of 30 June 2022.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

CONVERTIBLE BONDS

As at 30 June 2022, the Group did not have any convertible bonds.

As disclosed in the Listing Document, in September 2018, China Conch Venture Holdings International Limited (a subsidiary of China Conch Venture Holdings Limited (“**Conch Venture**”)) issued zero coupon guaranteed convertible bonds (the “**2018 Convertible Bonds**”) in the aggregate principal amount of HK\$3,925,000,000 due 2023, which were listed on the Frankfurt Stock Exchange in September 2018. According to the terms and conditions of the 2018 Convertible Bonds (the “**2018 CB Terms and Conditions**”) as disclosed in the announcement of Conch Venture on the website of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on August 30, 2018, the 2018 Convertible Bonds can be convertible into the ordinary shares of Conch Venture at the initial conversion price of HK\$40.18 (subject to the adjustment according to 2018 CB Terms and Conditions) at any time on and after October 16, 2018 up to the close of business on the 10th day prior to September 5, 2023, the maturity date of the 2018 CB. According to the 2018 CB Terms and Conditions, in the event of the occurrence of the Spin-off, no adjustment to the conversion price shall occur and a bondholder may only exercise their conversion right in respect of both the shares of Conch Venture and the shares of the Company jointly and may not exercise such rights individually. As of 30 June 2022, all of the 2018 Convertible Bonds are still outstanding, which is convertible into (1) 106,715,606 shares of Conch Venture based on the current conversion price of HK\$36.78, representing approximately 5.89% of the issued share capital of Conch Venture and approximately 5.56% of the issued share capital of Conch Venture as enlarged by the issue of the conversion shares, and (2) 103,698,811 shares of the Company with no consideration based on the current conversion price of HK\$37.85, representing approximately 5.68% of the issued share capital of the Company and approximately 5.37% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

HUMAN RESOURCES

The Group attaches great importance to human resources management and the continuous improvement of its system, and has developed an up-to-date working mechanism and management philosophy to safeguard the value of human capital. The Group has provided employees with industry-competitive remuneration, benefits, and growth mechanisms, and improved the employee skills training system and career growth and development paths to ensure that employees enjoy the fruits of business development.

During the Reporting Period, the Group carried out integration and optimization of the middle and senior management team, and was committed to strengthening the establishment and quality of the cadre and talent team by opening up external introduction channels, improving the internal selection and appointment mechanism, and perfecting the multi-post exchange and deployment mechanism; and the Group has organized several times of online and offline inspections, training and interactive exchanges for the management and key business of its subsidiaries, aiming to keeping the comprehensive performance capability of the management team and the business carrying capacity of employees in key positions up to date and improving the capability and standard of corporate governance of the Group's subsidiaries.

At the same time, taking into consideration the actual production and operation, the subsidiaries of the Group has also carried out trainings to improve the theoretical or practical skills of employees in junior management positions and basic positions, and has optimized and improved the performance appraisal of employees in various positions. The Group and its subsidiaries has strengthened the coordination between the top and bottom in the human resources management mechanism to safeguard the value of corporate human capital.

As at 30 June 2022, the Group had 3,673 employees. The remuneration of employees is determined by experience, skills, 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. During the Reporting Period, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB138.30 million.

FUTURE PLAN AND OUTLOOK

In the first half of 2022, amidst COVID-19 resurgence, intensified market competition and overall economic downturn in the external environment in the Mainland, the Group faced headwinds in performance growth. However, the Group achieved good results externally in capacity expansion, customer expansion and industry leadership, and internally in marketing management, production operation and cost reduction and efficiency. In the second half of 2022, the Group will take effective measures to improve the quality of operations, enhance quality and efficiency, and strive to achieve its business objectives. The Group will focus its efforts on the following areas:

Maintain firm confidence in development under the guidance of the new five-year plan

In order to integrate into the new development landscape, the Group has responded proactively to changes and firmly seized the market initiative. In the first half of 2022, the Group discussed and issued a new five-year plan for 2024-2028. In the second half of 2022, the Group will further give full play to the strategic leading role of the plan and strive to turn the plan into development benefits to provide important support for project expansion and performance growth.

In terms of the general hazardous waste and solid waste treatment business, the first is to speed up the connection with large cement enterprises which we have newly established strategic partnership with, and press on with the launch of qualified project carriers; the second is to focus on expanding sludge drying projects, improve market research on sludge drying, and fully promote cooperation with large water groups to promote project implementation. The third is to carry out investment and construction evaluation of pipeline projects based on the characteristics of different regions, so as to cater for off-peak production, balance market fluctuations, and regulate production operation.

In terms of fly ash and oil sludge business, the first is to fully leverage the network advantages of cement kiln production capacity of cement partners, identify potential project carriers, and at the same time strengthen the connection with large domestic waste-to-energy environmental protection conglomerates to speed up the planning and distribution of fly ash projects; the second is to carry out detailed research and analysis on the national oil sludge market, focus on expanding the network of oil sludge projects in blank areas such as the Northeast China and Southwest China, and gradually improve the oil sludge business.

Focus on market construction and operation management to further strengthen industry position

In terms of general hazardous waste and industrial solid waste business, the first is to seize key customer resources, stabilize stock, and expand increment. The second is to develop differentiated marketing strategies. For regions with a relatively developed economy and greater amounts of waste generation, efforts will be made to increase the average treatment price and increase economic benefits; for regions with fierce competition and serious overcapacity, focus will be placed on increasing market share and enhancing market presence in the regions. The third is to strengthen the coordination of inter-provincial transfer business, establish a professional team for inter-provincial business, and increase the volume of transshipment business. The fourth is to actively promote industry interaction, establish an excellent market environment, strengthen information sharing in related regions, and promote the regulated development of the industry. The fifth is to strengthen the management and control of production and operation, reduce controllable costs, and at the same time continue to carry out technical transformation measures such as hot plate furnaces and terrace furnaces, and promote long-term cost reduction and efficiency improvement.

In terms of fly ash and oil sludge, the first is to conduct a comprehensive market research, and improve capacity utilization rate. The second is to strengthen operation management, ensure the stability of system of projects in operation, focus on process optimization and rectification, and at the same time exercise proper control over treatment costs and improve efficiency.

Intensify R&D and innovation and promote technological research and transformation of achievement

Firstly, the Group will pay attention to the development strategy and arrangement of the national environmental protection industry, increase technical reserve in the environmental protection field, and conduct advance research on new process and application of new technologies ahead of time. Secondly, the Group will continue to carry out proper technical transformation of non-kiln projects, track the process continuity after the technical transformation of non-kiln projects, facilitate industry development in respect of process and technology, and set a benchmark in the industry.

EVENTS AFTER THE REPORTING PERIOD

No material events affecting the Group that required to be disclosed after 30 June 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company confirmed that it complied with the principles and all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange during the period from 30 March 2022 (the date (the “**Listing Date**”) on which the shares of the Company are listed on the Stock Exchange) to 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors since the Listing Date. Having made specific enquiries by the Company, all Directors confirmed that they complied with the Model Code during the period from Listing Date to 30 June 2022.

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

During the period from Listing Date to 30 June 2022, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE INTERIM RESULTS

The Audit Committee, which comprises three independent non-executive Directors, namely Ms. WANG Jiafen, being the chairman of the Audit Committee, Mr. HAO Jiming and Mr. DAI Xiaohu, has reviewed the unaudited interim results of the Company for the six months ended 30 June 2022. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.conchenviro.com). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to the shareholders of the Company and published on the above websites in due course.

For and on behalf of the Board
China Conch Environment Protection Holdings Limited
GUO Jingbin
Chairman

Anhui Province, the People's Republic of China
30 August 2022

As at the date of this announcement, the Board comprises Mr. GUO Jingbin (Chairman), Mr. SHU Mao (General Manager), Mr. WAN Changbao and Mr. ZHANG Keke as executive directors; Mr. JI Qinying and Mr. XIAO Jiexiang as non-executive directors; and Mr. HAO Jiming, Mr. DAI Xiaohu and Ms. WANG Jiafen as independent non-executive directors.