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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS

- Revenue of the Group for 2022 amounted to approximately RMB1,729.60 million (2021: RMB1,698.15 million), representing an increase of 1.85% as compared with that of 2021.
- Net profit for the year attributable to equity shareholders of the Group for 2022 amounted to approximately RMB328.66 million (2021: RMB578.61 million), representing a decrease of 43.20% as compared with that of 2021.
- Basic earnings per share for 2022 amounted to RMB0.18 (2021: RMB0.32 per share).
- The Board resolved not to declare any final dividend for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of China Conch Environment Protection Holdings Limited (the “**Company**”) hereby presents the audited consolidated results of operation and financial position of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022

(Expressed in Renminbi Yuan)

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	1,729,598	1,698,153
Cost of sales		<u>(819,458)</u>	<u>(683,118)</u>
Gross profit		910,140	1,015,035
Other income	4	62,850	83,871
Distribution costs		(157,470)	(131,345)
Administrative expenses		<u>(317,959)</u>	<u>(227,581)</u>
Profit from operations		497,561	739,980
Finance costs	5(a)	(92,026)	(52,079)
Share of profits of associates	8	<u>4,996</u>	<u>9,812</u>
Profit before taxation	5	410,531	697,713
Income tax	6	<u>(50,068)</u>	<u>(51,136)</u>
Profit for the year		<u>360,463</u>	<u>646,577</u>
Attributable to:			
Equity shareholders of the Company		328,656	578,607
Non-controlling interests		<u>31,807</u>	<u>67,970</u>
Profit for the year		<u>360,463</u>	<u>646,577</u>
Earnings per share	7		
Basic (RMB)		<u>0.18</u>	<u>0.32</u>
Diluted (RMB)		<u>0.18</u>	<u>0.30</u>

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

*for the year ended 31 December 2022
(Expressed in Renminbi Yuan)*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year	360,463	646,577
Other comprehensive income for the year (after tax and reclassification adjustments)	—	—
Total comprehensive income for the year	360,463	646,577
Attributable to:		
Equity shareholders of the company	328,656	578,607
Non-controlling interests	31,807	67,970
Total comprehensive income for the year	360,463	646,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

(Expressed in Renminbi Yuan)

		31 December 2022	31 December 2021
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		6,366,191	5,170,495
Right-of-use assets		234,630	197,156
Intangible assets		121,537	63,047
Goodwill		9,219	5,815
Interests in associates	8	65,919	68,839
Non-current portion of trade and other receivables	9	410,652	293,062
Deferred tax assets		8,923	8,309
		<u>7,217,071</u>	<u>5,806,723</u>
Current assets			
Inventories		17,842	8,061
Trade and other receivables	9	975,728	1,024,495
Financial assets measured at FVPL		–	15,000
Restricted bank deposits		52,869	58,149
Bank deposits with original maturity over three months		–	1,680
Cash and cash equivalents		273,058	596,113
		<u>1,319,497</u>	<u>1,703,498</u>
Current liabilities			
Loans and borrowings		637,566	634,033
Trade and other payables	10	1,314,478	1,330,427
Contract liabilities		10,676	9,858
Lease liabilities		1,691	530
Income tax payables		14,666	19,823
		<u>1,979,077</u>	<u>1,994,671</u>
Net current liabilities		<u>(659,580)</u>	<u>(291,173)</u>
Total assets less current liabilities		<u>6,557,491</u>	<u>5,515,550</u>

	31 December 2022	31 December 2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Loans and borrowings	3,137,126	2,409,828
Lease liabilities	6,124	3,606
Deferred tax liabilities	26,607	12,196
	<u>3,169,857</u>	<u>2,425,630</u>
Net assets	<u>3,387,634</u>	<u>3,089,920</u>
Capital and reserves	<i>11</i>	
Share capital	14,837	–
Reserves	2,714,070	2,420,593
Equity attributable to equity shareholders of the company	2,728,907	2,420,593
Non-controlling interests	<u>658,727</u>	<u>669,327</u>
Total equity	<u>3,387,634</u>	<u>3,089,920</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group.

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial assets and equity investments are stated at their fair value.

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

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

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 and hazardous waste.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS15, recognised over time		
Industrial solid waste treatment services	463,153	456,179
Industrial hazardous waste treatment services		
— General hazardous waste	1,057,841	1,052,033
— Oil sludge	124,277	131,987
— Fly ash	59,734	57,954
	<u>1,705,005</u>	<u>1,698,153</u>
Revenue from contracts with customers within the scope of IFRS15, recognised at point in time		
Comprehensive resource utilization	24,593	—
	<u>1,729,598</u>	<u>1,698,153</u>

(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 industrial solid and hazardous waste solutions. Resources are allocated based on what is beneficial for the Group in enhancing its industrial 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 and 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. Substantially all of the Group's specified non-current assets are physically located in the PRC.

4 OTHER INCOME

	2022	2021
	RMB'000	RMB'000
Interest income on bank deposits	9,294	9,009
Government grants (i)	49,645	58,776
(Loss)/gain on disposal of a subsidiary	(439)	13,709
Net (loss)/gain on disposal of right-of-use assets and property, plant and equipment	(564)	25
Gain on previously held interests in associates	–	856
Recognition of negative goodwill as income	–	928
Others	4,914	568
	62,850	83,871

- (i) Government grants mainly represented subsidies received from the local government authorities for encouraging the Group's development in the industrial solid and hazardous waste solutions in the respective PRC cities.

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on loans and borrowings	129,305	89,823
Interest on lease liabilities	266	171
*Less: interest expense capitalised in construction in progress	<u>(37,545)</u>	<u>(37,915)</u>
	<u>92,026</u>	<u>52,079</u>

* For the year ended 31 December 2022, the borrowing costs were capitalised at a rate of 1.70%–4.65% per annum (2021: 2.65%–4.65%).

(b) Staff costs:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	340,690	240,995
Contributions to defined contribution plans (i)	<u>45,703</u>	<u>35,806</u>
	<u>386,393</u>	<u>276,801</u>

(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.

During the financial year ended 31 December 2022, no contribution was forfeited (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) under the defined contribution retirement scheme which may be used by the Group to reduce the existing level of contributions. Accordingly, no forfeited contribution was utilised in the course of the year ended 31 December 2022, and as at 31 December 2022, there was no forfeited contribution available to reduce the Group's existing level of contributions to the defined contribution retirement scheme.

(c) **Other items:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of services provided	819,458	683,118
Depreciation of owned property, plant and equipment	205,644	148,274
Depreciation of right-of-use assets	4,261	4,673
Amortisation of intangible assets	12,390	6,827
Loss allowance for trade receivables	3,424	12,896
Short-term lease payments not included in the measurement of lease liabilities	4,834	2,826
Auditors' remuneration	1,900	2,300
Listing expenses	30,881	24,764

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(a) Current taxation in the consolidated statement of profit and loss represents:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	–	–
Current tax — PRC income tax		
Provision for the year	52,842	58,130
Under provision in respect of prior years	551	151
Deferred tax:		
Origination and reversal of temporary differences	(3,325)	(7,145)
	<u>50,068</u>	<u>51,136</u>

- (1) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (2) The income tax rate applicable to Hong Kong profits assessable income of group entities incorporated in Hong Kong is 16.5%. No provision for Hong Kong profit tax has been made for the year ended 31 December 2022 (2021: nil) as there are no assessable profits during the years ended 31 December 2022 and 2021.
- (3) 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.
- (4) Pursuant to Notice No.23 issued by the State Administration of Taxation on 23 April 2020 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.
- (5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in industrial solid and hazardous 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 is based on the profit attributable to equity shareholders of the Company of RMB328,656,000 (2021: RMB578,607,000), with 1,826,765,000 issued ordinary shares.

8 INTERESTS IN ASSOCIATES

The following list contains associates of the Group, which are unlisted corporate entities, whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and operation	Registered capital/ authorised and paid-in capital	Proportion of ownership interest Group's effective interest		Principal activities
				As at 31 December 2022	2021	
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (江蘇傑夏環保科技有限公司)	Incorporated as limited liability Company	The PRC	RMB80,000,000/ RMB80,000,000	35%	35%	Industrial solid and hazardous waste treatment
Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. (雲浮光嘉海中環保科技有限公司)	Incorporated as limited liability Company	The PRC	RMB60,000,000/ RMB16,500,000	40%	40%	Industrial solid and hazardous waste treatment
Chongqing Nantong Environmental Protection Technology Co., Ltd. (重慶南桐環保科技有限公司)	Incorporated as limited liability Company	The PRC	RMB30,000,000/ RMB30,000,000	35%	30%	Industrial solid and hazardous waste treatment
Nanchen Nuoke Haizhong Environmental Protection Technology Co., Ltd. (南城諾客海中環保科技有限責任公司)	Incorporated as limited liability Company	The PRC	RMB18,000,000/ RMB18,000,000	49%	49%	Industrial solid and hazardous waste treatment
Shanghai Conch Venture Dexin Environmental Protection Development Co., Ltd. (上海海創德鑫環保發展有限公司)	Incorporated as limited liability Company	The PRC	RMB50,000,000/ -	40%	-	Industrial solid and hazardous waste treatment

The information of associates is as below:

	2022 RMB'000	2021 RMB'000
Carrying amount of the associates	<u>65,919</u>	<u>68,839</u>
Amounts of the Group's share of associates		
Profit from continuing operations	4,996	9,812
Other comprehensive income	-	-
Total comprehensive income	<u>4,996</u>	<u>9,812</u>
Dividend received	<u>9,620</u>	<u>6,400</u>

9 TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
— Third parties	795,900	681,441
— Related parties	4,499	17,125
Bills receivable, carried at amortised cost	101,315	75,659
Bills receivable, carried at FVOCI	12,006	13,350
Less: allowance for doubtful debts	<u>(35,493)</u>	<u>(32,276)</u>
Trade and bills receivables	878,227	755,299
Other receivables		
— Deposits	15,009	9,850
— VAT recoverable	60,280	82,821
— others	<u>4,729</u>	<u>12,933</u>
Prepayments	<u>16,242</u>	<u>8,726</u>
	974,487	869,629
Amounts due from related parties		
— Advances to related parties	–	150,000
— Others	<u>1,241</u>	<u>4,866</u>
Current portion of trade and other receivables	<u>975,728</u>	<u>1,024,495</u>
Non-current portion of trade and other receivables	<u>410,652</u>	<u>293,062</u>
Total current and non-current trade and other receivables	<u>1,386,380</u>	<u>1,317,557</u>

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

All amounts due from related parties as at 31 December 2022 are unsecured, non-interest bearing and are repayable on demand.

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 ageing and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current	651,923	671,366
Less than 1 year	220,082	82,692
1 to 2 years	<u>6,222</u>	<u>1,241</u>
	<u>878,227</u>	<u>755,299</u>

10 TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
— Third parties	140,955	90,799
— Related parties	33,924	32,924
Bills payable	40,795	39,880
	<hr/>	<hr/>
Trade and bills payables	215,674	163,603
Other payables and accruals		
— Construction and equipment payables	465,213	377,444
— Deposits	25,334	35,593
— Other taxes and surcharges payables	4,588	3,676
— Accrued payroll and other benefits	132,050	99,758
— Accrued expenses	70,561	75,204
— Others	53,609	29,503
	<hr/>	<hr/>
	967,030	784,781
Dividends payable to the then equity shareholders	65,993	36,247
Amounts due to related parties		
— Construction and equipment payables	280,910	508,288
— Others	544	1,111
	<hr/>	<hr/>
Trade and other payables	1,314,478	1,330,427
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	215,674	163,603
	<hr/> <hr/>	<hr/> <hr/>

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

11 DIVIDENDS

No dividends were paid by the Company since the date of its incorporation.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ENVIRONMENT

In 2022, due to the complex and ever-changing international environment and the turbulent geopolitical situation, the risk of a global economic downturn had increased. The triple pressure of demand shrinkage, supply shock, and expected weakening continues to emerge. Under the control of the national macro-policy, the national economy faced challenges and effectively responded to the impact of negative factors that exceeded expectations. The macroeconomic market was generally stable, and GDP increased by approximately 3.0% as compared with last year.

In March 2022, the Company was successfully listed on the main board of Hong Kong Stock Exchange (the “**Stock Exchange**”), laying a solid foundation for the Company to tap into the new direction of international capital and start a new round of high-quality development. In October of the same year, 安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*) (“**Conch Cement**”) became the controlling shareholder of the Group and its financial results were successfully consolidated into the Group’s financial statements. After the reorganization of the board of directors, the Group further strengthened synergy in production management with cement entities treatment plant. The management integration achieved initial results, and the quality of operation steadily improved.

BUSINESS REVIEW

In 2022, under the background of fierce market competition and increased peak shifting efforts in the cement industry, the Group strived to overcome the challenges, accelerated external project development, actively explored markets, stabilized economic benefits, internally paid close attention to safety management, promoted costs reduction and efficiency enhancement, and adhered to scientific and technological innovation, to achieve the increase in the amount of incoming plants and treatments against the unfavourable trend.

At the end of the Reporting Period, the Group put into operation and constructed for a total of 63 environmental protection projects in 19 provinces, municipalities, and autonomous regions across the country, including 37 general hazardous waste projects, 5 fly ash washing projects, 5 oil sludge treatment projects, 15 industrial solid waste projects and 1 consolidated resources utilization project. The treatment scale of the projects was approximately 6,815,700 tonnes (excluding projects subject to approval and to be constructed).

Industrial hazardous waste treatment

1) Project expansion

The Group continued to uncover the developmental potential of collaborative hazardous waste treatment of cement kilns projects, and successfully entered into contracts for three projects including Shaoguan in Guangdong (200,000 tonnes/year), Tongchuan in Shaanxi (200,000 tonnes/year) and Junlian in Sichuan (200,000 tonnes/year) during the Reporting Period, with a production capacity of approximately 600,000 tonnes/year. In terms of the development of non-kiln projects, the Group strictly implemented the development plan of the fly ash industry, insisted on prioritizing the market, comprehensively understood and verified local policy plans, and entered into contracts for 7 fly ash projects such as Xingtai in Hebei (100,000 tonnes/year), Fusui in Guangxi (100,000 tonnes/year), Baoding in Hebei (50,000 tonnes/year), Liangping in Chongqing (50,000 tonnes/year), Wenshan in Yunnan (100,000 tonnes/year), Mianyang in Sichuan (50,000 tonnes/year), and Taian in Shandong (100,000 tonnes/year), with a capacity of approximately 550,000 tonnes/year. The Group also entered into a contract for Zhoushan oil sludge project (36,000 tonnes/year) to fill the gap in Zhejiang region. In addition, the Group also entered into a strategic cooperation agreement with 中國葛洲壩集團水泥有限公司 (China Gezhouba Group Stock Company Limited*) and 奇瑞汽車股份有限公司 (Chery Automotive Co., Ltd.) to launch the foundation for in-depth cooperation among the parties and achieve complementary advantages.

During the Reporting Period, the Group actively explored new projects and successfully entered into contracts for a total of 11 hazardous waste projects, with a production capacity scale of 1,186,000 tonnes/year.

2) Project operation

In terms of market expansion, the Group takes market construction as its focus to open up customer channels. The number of customers has steadily increased. The Group also has reached a strategic cooperation relationship with large-scale waste-producing enterprises such as 中國石油天然氣股份有限公司長慶油田分公司 (Changqing Oilfield Branch of PetroChina Company Limited*) and 廣州市環境保護技術有限公司 (Guangzhou Environment Protection Technology Limited*). Industry exchanges and cooperation are deepened. The management mechanism of price operation is standardized. Focusing on the expansion of cross-provincial business transfer, the cross-provincial transfer channels such as Shanghai, Zhejiang, Ningxia, etc. have been successfully opened, and the blank market layout has been further improved.

In terms of operation and management, we continuously optimize the treatment process, and focus on promoting technical reforms such as “one machine, two kilns”, “terrace furnace” and “hot disc furnace”. The production treatment platform

is effectively improved. Simultaneously, the optimization of the technical reform of the fly ash washing system and the orderly progress of the technical reform of fly ash washing are implemented. We improve the construction of the safety production management system, continue to optimize emissions for environmental protection, and continue to improve the level of corporate safety and environmental protection management.

During the Reporting Period, the total treatment volume of industrial hazardous waste of the Group was approximately 921,600 tonnes, representing a year-on-year increase of approximately 17.42%. Among which, approximately 775,500 tonnes were general hazardous waste, approximately 98,400 tonnes were oil sludge, and approximately 47,700 tonnes were fly ash.

Industrial solid waste treatment

1) Project expansion

Since 2022, the Group has increased communication with relevant government departments and local water enterprises to accelerate the expansion of sludge projects. During the Reporting Period, the Group entered into contracts for 6 new industrial solid waste treatment projects, with a production capacity of 614,000 tonnes/year, including Wuhu sludge (132,000 tonnes/year), Chongqing sludge (66,000 tonnes/year), Sichuan Mianyang (100,000 tonnes/year), Guizhou Shuicheng (66,000 tonnes/year), Jiangxi Yushan (150,000 tonnes/year) and Hainan Changjiang (100,000 tonnes/year).

2) Project operation

In 2022, the Group actively expanded the market of contaminated soil, and seized opportunities to obtain the contaminated soil treatment franchise from a number of waste producing enterprises, which greatly enhanced the input volume and effectively improved the operating efficiency of the Company. During the Reporting Period, the total treatment volume of industrial solid waste of the Group was approximately 1,593,600 tonnes, representing a year-on-year increase of approximately 10.30%.

Consolidated resources utilization

The consolidated resources utilization project in Ninghai, Zhejiang Province of the Group has put into operation, with a treatment capacity of approximately 100,000 tonnes/year. During the Reporting Period, the Group actively carried out technical transformation and technical measures, actively explored and optimized the ingredient process scheme, and at the same time continued to promote channel expansion and continuously improve the construction of the supply and sales market. In 2022, the Group sold a total of 7,115 tonnes of consolidated resources utilization products.

At the end of Reporting Period, details of general hazardous waste treatment projects in operation and under construction 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	2×100,000 tonnes/year	130,000 tonnes/year (for both periods)	December 2017
4		Yiyang, Jiangxi Province	2×100,000 tonnes/year	170,000 tonnes/year (for both periods)	May 2018
5		Xingye, Guangxi Province	2×100,000 tonnes/year	161,500 tonnes/year (for both periods)	August 2018
6		Suzhou, Anhui Province	2×100,000 tonnes/year	125,000 tonnes/year (for both periods)	August 2018
7		Qianyang, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	October 2018
8		Zhong County, Chongqing Municipality	2×100,000 tonnes/year	95,200 tonnes/year (for both periods)	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	40,500 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	100,000 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		Linxiang, Hunan Province	100,000 tonnes/year	88,500 tonnes/year	January 2021
22		Wuhu, Anhui Province	16,500 tonnes/year	16,500 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		Guilin, Guangxi Province	100,000 tonnes/year	60,000 tonnes/year	July 2021
26		Dengfeng, Henan Province	100,000 tonnes/year	80,000 tonnes/year	July 2021
27		Ningguo, Anhui Province	100,000 tonnes/year	70,000 tonnes/year	January 2022
28		Nanjing, Jiangsu Province	100,000 tonnes/year	94,600 tonnes/year	January 2022
29		Pingliang, Gansu Province	130,000 tonnes/year	60,000 tonnes/year	June 2022
30		Fuyang, Zhejiang Province	200,000 tonnes/year	90,000 tonnes/year	June 2022
31		Jiayuguan, Gansu Province	100,000 tonnes/year	100,000 tonnes/year	June 2022
32		Hulunbair, Inner Mongolia	50,000 tonnes/year	35,000 tonnes/year	June 2022
33		Arong Qi, Inner Mongolia	100,000 tonnes/year	85,000 tonnes/year	June 2022
34		Fuzhou, Jiangxi Province	100,000 tonnes/year	75,000 tonnes/year	October 2022
Subtotal			3,866,500 tonnes/year	2,874,700 tonnes/year	

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
35	Under construction	Shaoguan, Guangdong Province	200,000 tonnes/year	/	March 2023
36		Yunfu, Guangdong Province	100,000 tonnes/year		May 2023
37		Qingyuan, Guangdong Province	100,000 tonnes/year		August 2023
Subtotal			400,000 tonnes/year		
Total			4,266,500 tonnes/year	2,874,700 tonnes/year	

At the end of Reporting Period, details of fly ash washing projects in operation and under construction 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
Subtotal			249,500 tonnes/year	
4	Under construction	Quanjiao, Anhui Province	100,000 tonnes/year	April 2023
5		Qian County, Shaanxi Province	50,000 tonnes/year	July 2023
Subtotal			150,000 tonnes/year	
Total			399,500 tonnes/year	

At the end of Reporting Period, details of oil sludge treatment projects in operation and under construction 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
Subtotal			280,000 tonnes/year	280,000 tonnes/year	
4	Under construction	Yulin, Shaanxi Province (Phase 2)	100,000 tonnes/year	/	February 2023
5		Jinzhou, Liaoning Province	Oil sludge treatment: 20,000 tonnes/year Incineration: 42,000 tonnes/year		May 2023
6		Dongying, Shandong Province (Phase 2)	80,000 tonnes/year		September 2023
7		Qingyang, Gansu Province	80,000 tonnes/year		January 2024
Subtotal			322,000 tonnes/year		
Total			602,000 tonnes/year	280,000 tonnes/year	

At the end of Reporting Period, details of industrial solid waste treatment projects in operation and under construction are set out in the following table:

No.	Status of Construction	Project Location	Treatment 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	January 2023
15		Wuhu, Anhui Province (sludge drying)	132,000 tonnes/year	February 2023
Subtotal			332,000 tonnes/year	
Total			1,447,700 tonnes/year	

Please refer to the table below for details of the consolidated resources utilization projects as at the end of the Reporting Period:

Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Completion Date
In operation	Ninghai, Zhejiang Province	100,000 tonnes/year	100,000 tonnes/year	May 2021

During the end of Reporting Period, the treatment scale of the Group's projects in operation, under construction and to be constructed was approximately 6,815,700 tonnes/year, 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		Solid waste		Consolidated resources utilization
	In operation	Under construction	In operation	Under construction	In operation	Under construction	In operation	Under construction	
Status	In operation	Under construction	In operation	Under construction	In operation	Under construction	In operation	Under construction	In operation
Scale	386.65	40	24.95	15	28	32.2	111.57	33.2	10

FINANCIAL PROFITABILITY

Item	2022 Amount (RMB'000)	2021 Amount (RMB'000)	Change between the Reporting Period and the same period last year (%)
Profit before taxation	410,531	697,713	-41.16
Profit for the year	360,463	646,577	-44.25
Net profit attributable to equity shareholders of the Company	<u>328,656</u>	<u>578,607</u>	<u>-43.20</u>

During the Reporting Period, the Group recorded a revenue of RMB1,729.60 million, representing a year-on-year increase of 1.85%. Profit before taxation amounted to RMB410.53 million, representing a year-on-year decrease of 41.16%. Profit for the year amounted to RMB360.46 million, representing a year-on-year decrease of 44.25%. Net profit attributable to equity shareholders of the Company amounted to RMB328.66 million, representing a year-on-year decrease of 43.20%. During the year ended 31 December 2022, basic earnings per share amounted to RMB0.18, representing a year on-year decrease of RMB0.14.

Revenue by business stream

Item	2022		2021		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Industrial hazardous waste treatment services	1,241,852	71.80	1,241,974	73.14	-0.01	-1.34
General hazardous	1,057,841	61.16	1,052,033	61.95	0.55	-0.79
Oil Sludge	124,277	7.19	131,987	7.77	-5.84	-0.58
Fly ash	59,734	3.45	57,954	3.42	3.07	0.03
Industrial solid waste treatment service	463,153	26.78	456,179	26.86	1.53	-0.08
Consolidated resources utilization	24,593	1.42	-	-	-	-
Total	<u>1,729,598</u>	<u>100.00</u>	<u>1,698,153</u>	<u>100.00</u>	<u>1.85</u>	<u>-</u>

During the Reporting Period, revenue of the Group was derived from three business segments, namely (i) industrial hazardous waste treatment services; (ii) industrial solid waste treatment services; and (iii) Consolidated resources utilization. With a breakdown by business streams:

- (i) Revenue from **industrial solid waste treatment services** was RMB1,241.85 million, representing a year-on-year decrease of 0.01%, of which:

Revenue from **general hazardous waste** was RMB1,057.84 million, representing a year-on-year increase of 0.55%. The increase in revenue was primarily due to the Group's new projects in Nanjing, Ningguo, Fuyang, Jiayuguan, as well as the rapid year-on-year growth of the projects in Long'an and Chongqing.

Revenue from **oil sludge treatment** was RMB124.28 million, representing a year-on-year decrease of 5.84%. This was primarily due to the decrease in intake as a result of the phased reduction in the production volume of the oil and gas fields of waste-producing companies, which leading to the decreased revenue.

Revenue from **fly ash treatment** was RMB59.73 million, representing a year-on-year increase of 3.07%. The increase in revenue was mainly due to the commissioning of the Yiyang project.

(ii) Revenue from **industrial solid waste treatment services** was RMB463.15 million, representing a year-on-year increase of 1.53%. The increase in revenue was mainly due to the rapid growth of the project in Quanjiao, Zongyang, Guiyang, Yangchun.

(iii) Revenue from **Consolidated resources utilization** was RMB24.59 million, the increase in revenue was mainly due to the project in Ninghai put into operation.

Gross profit and gross profit margin

Item	2022		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	670,207	53.97	760,467	61.23	-11.87	-7.26
General hazardous	599,638	56.69	687,363	65.34	-12.76	-8.65
Oil Sludge	63,117	50.79	63,828	48.36	-1.11	2.43
Fly ash	7,452	12.48	9,276	16.01	-19.66	-3.53
Industrial solid waste treatment service	231,780	50.04	254,568	55.8	-8.95	-5.76
Consolidated resources utilization	8,153	33.15			-	33.15
Total	910,140	52.62	1,015,035	59.77	-10.33	-7.15

During the Reporting Period, the Group recorded a gross profit of RMB910.14 million, representing a year-on-year decrease of 10.33%. With a breakdown by streams,

(i) Gross profit margin for **general hazardous waste** was 56.69%, representing a year-on-year decrease of 8.65 percentage points. The decrease in gross profit margin was primarily due to (a) price decline due to intensified competition in the market, with year-on-year decrease in company revenues in Anhui, Jiangxi, Guizhou, Guangdong, Guangxi and other provinces; and (b) cement entities in Shandong, Henan and other provinces to increase the staggering kiln suspension efforts, the turnover rate is relatively low, production capacity has not been effectively leveraged.

Gross profit margin for **oil sludge treatment** was 50.79%, representing a year-on-year increase of 2.43 percentage, mainly due to the increase in the intake price of oil sludge.

Gross profit margin for **fly ash treatment** was 12.48%, representing a year-on-year decrease of 3.53 percentage points. The year-on-year decrease was mainly due to the following reasons: (a)the increase in the market price of raw materials required for fly ash treatment, which led to the increase in procurement cost; and (b)due to the change in the structure of fly ash input, the proportion of fly ash input that needs to bear the transportation cost has increased, resulting in an increase in transportation cost.

(ii) Gross profit margin for **industrial solid waste treatment services** was 50.04%, representing a year-on-year decrease of 5.76 percentage points, primarily due to the gross profit margin of the land remediation business was reduced due to market competition and prices declination.

(iii) Gross profit margin for **consolidated resources utilization** was 33.15%.

Other income

During the Reporting Period, the Group's other income amounted to RMB62.85 million, representing a year-on-year decrease of RMB21.02 million, or 25%, primarily due to a year-on-year decrease in government subsidies received and a disposal gain on the disposal of Conch Venture Shanghai Environmental Protection Technology (Shanghai) Co., Ltd. (海螺創業環保科技(上海)有限公司) during the same period.

Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB157.47 million, representing a year-on-year increase of RMB26.13 million, or 19.89%, primarily due to the increase in labour costs resulting from the increase in number of projects in operation.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB317.96 million, representing a year-on-year increase of RMB90.38 million, or 39.71%, primarily due to the development of the Company resulted in an increase in labor costs, listing expenses, safety production expenses, and research and development expenses.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB92.03 million, representing a year-on-year increase of RMB39.95 million, or 76.70%. 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 RMB410.53 million, representing a year-on-year decrease of RMB287.18 million, or 41.16%, share of profits of associates amounted to RMB5 million, representing a year-on-year decrease of 49.08%.

FINANCIAL POSITION

As at 31 December 2022, the Group's total assets amounted to RMB8,536.57 million, representing an increase of RMB1,026.35 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB2,728.91 million, representing an increase of RMB308.31 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 60.32%, representing an increase of 1.46 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at	As at	Change
	31 December 2022 (RMB'000)	31 December 2021 (RMB'000)	between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	6,366,191	5,170,495	23.13
Non-current assets	7,217,071	5,806,723	24.29
Current assets	1,319,497	1,703,498	-22.54
Non-current liabilities	3,169,857	2,425,630	30.68
Current liabilities	1,979,077	1,994,671	-0.78
Net Current liabilities	659,580	291,173	126.53
Equity attributable to equity shareholders of the Company	2,728,907	2,420,593	12.74
Total assets	8,536,568	7,510,221	13.67
Total liabilities	5,148,934	4,420,301	16.48

Non-current assets and current assets

As at 31 December 2022, non-current assets of the Group amounted to RMB7,217.07 million, representing an increase of 24.29% primarily due to the increase in property, plant and equipment.

Current assets of the Group amounted to RMB1,319.50 million, representing a decrease of 22.54% as compared to the end of the previous year, primarily due to the bigger demand for fund for the development of the Group's project and the repayment of loans.

Non-current liabilities and current liabilities

As at 31 December 2022, non-current liabilities of the Group amounted to RMB3,169.86 million, representing an increase of 30.68% 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 RMB1,979.08 million, representing a decrease of 0.78% as compared to the end of the previous year, primarily due to the year-on-year decrease in profit tax, trade and other payables of the Group during the Reporting Period.

As at 31 December 2022, current ratio of the Group were 0.67 (the end of the previous year was 0.85) and debt to equity ratio (calculated by dividing total amount of loans by total equity) were 1.11 (the end of the previous year was 0.99).

Net current liabilities

As at 31 December 2022, net current liabilities of the Group amounted to RMB659.58 million, representing an increase of RMB368.41 million as compared to the end of the previous year, primarily due to a decrease in the Group's cash and cash equivalents as a result of project development and the repayment of loans.

Equity attributable to equity shareholders of the Company

As at 31 December 2022, the equity attributable to equity shareholders of the Company amounted to RMB2,728.91 million, representing an increase of 12.74% 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 Company.

LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, improved the returns on its stock capital, enhancing capital planning and management and conduct reasonable allocation of project loans, so as to fully satisfy the Group's capital needs. As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB273.06 million, which were mainly denominated in RMB.

Bank loans

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Due within one year	637,566	634,033
Due after one year but within two years	1,135,745	343,522
Due after two years but within five years	1,634,774	1,766,994
Due after five years	366,607	299,312
Total	3,774,692	3,043,861

As at 31 December 2022, the balance of bank loans of the Group amounted to RMB3,774.69 million, representing an increase of RMB730.83 million as compared to the end of the previous year, primarily due to the new one to two year term bank loans raised by the Group during the Reporting Period. As at 31 December 2022, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

Cash flow

As at 31 December 2022, the Group's balance of cash and cash equivalents amounted to RMB273.06 million, representing a year-on-year decrease of RMB323.05 million.

Item	2022 (RMB'000)	2021 (RMB'000)
Net cash generated from operating activities	542,994	767,721
Net cash used in investing activities	-1,407,369	-2,182,069
Net cash generated from financing activities	541,320	1,371,677
Net (decrease)/increase in cash and cash equivalents	-323,055	-42,671
Cash and cash equivalents at the beginning of the period	596,113	638,784
Cash and cash equivalents at the end of the period	273,058	596,113

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB542.99 million, representing a year-on-year decrease of RMB224.73 million, primarily due to the decrease of net cash generated from operating activities as a result of the relaxation of credit terms of customers by the Group during the pandemic.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB1,407.37 million, representing a year-on-year decrease of RMB774.70 million, primarily due to the decrease in payment for purchase of property, plant and equipment, construction in progress and intangible assets 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 RMB541.32 million, representing a year-on-year decrease of RMB830.36 million, primarily due to the repayment of loans as the term of certain loans matured.

COMMITMENTS

As at 31 December 2022, purchase commitments of the Group in connection with construction contracts were as follows:

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Contracted for	385,482	504,362
Authorized but not contracted for	313,766	793,689
Total	699,248	1,298,051

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 currencies including US dollars and Hong Kong dollars.

Other than that, most of the assets and transactions of the Group were denominated in RMB, and the capital 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 31 December 2022, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2022, the bank loans of the Group amounting to RMB47,857,000 (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 had no material investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS ACQUISITION

During the Reporting Period, the Board did not approve any plans for 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 cash consideration of RMB34,510,000. The investment represented less than 5% of the Company's total assets as of 31 December 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 31 December 2022, the Group did not have any convertible bonds.

As disclosed in the listing document of the Company dated 22 March 2022 (the “**Listing Document**”), in September 2018, China Conch Venture Holdings International Limited (a subsidiary of China Conch Venture Holdings Limited (中國海螺創業控股有限公司) (“**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 on 30 August 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 16 October 2018 up to the close of business on the 10th day prior to 5 September 2023, the maturity date of the 2018 Convertible Bonds. 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 31 December 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 will continue to explore a more optimized employment management model based on the strategic planning for future development and the actual needs of the operation and management, and innovate the employment methods by combining the actual situation of each project; meanwhile, under the existing salary and performance appraisal system of the Group, the appraisal indexes are continuously improved and refined to make them more suitable for the Group's operation and management, so that the performance appraisal can be more effective. In addition, the Group offers competitive remuneration packages and various enriching training programs to its employees, taking into account the salary level of the industry and the local economic development level of the area where the projects are located.

During the Reporting Period, the Group continued to optimize and enhance its remuneration management system. It implemented a top-down, vertical management remuneration assessment and incentive system for middle and senior management, further refined the contents of the assessment and adopted a concurrent approach with reward and punishment to motivate employees and fully utilize the incentive and restraining effect of the Group's remuneration mechanism.

In addition, the Group continued to implement regionalized management and further leveraged the function of regional management so that it could perform its role in the operation and management of regional companies, the coordination and construction of regional markets and the management of human resources in the region to further enhance the operation and development of the Group.

The Group endeavours to build a diversified and professional training system by organising training in safety, marketing and financial professional knowledge and skills by professions, and arranging declaration and assessment of middle and senior level professions in the engineering division, electrical and mechanical division and chemical division as well as participating in the safety qualification examinations organized by the country, so as to strongly promote professional training and skills enhancement and build up a professional and multi-level talent management team to secure manpower for the Group's long-term development.

As at 31 December 2022, the Group had 3,686 employees. The remuneration of employees is determined by qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

For the year ended 31 December 2022, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB386.39 million.

FUTURE PLAN AND OUTLOOK

The report of the 20th National Congress of the Communist Party of China clearly states that it is necessary to accelerate the green transformation of the development mode, develop green and low-carbon industries, further promote the prevention and control of environmental pollution, accelerate the implementation of major ecological system protection and restoration projects, and actively and steadily promote carbon peak carbon neutrality. The Group will take the adherence to the spirit of the 20th National Congress of the Communist Party of China as a strong driving force, with the emphasis on “prioritizing operating benefits, increasing income and reducing expenditures, increasing market prices and expanding volumes, improving governance standards, and developing empowerment breakthrough”, and will leverage the country’s “promotion of the green transformation of economic and social development” to actively expand projects, improve the market layout, increase market share, ensure safe production, consolidate the management foundation, consolidate the leading position in the industry, and achieve higher-quality development of the Group. Therefore, the Group will commence our work with the following focus:

Strictly adhering to the development plan, blooming in more areas, and consolidating our position in the industry

The Group will adhere to the “one and final blueprint” and aim to “realize a solid and hazardous waste treatment contract scale of 30 million tonnes per year in 2028 (including 10 million tonnes of hazardous waste, 10 million tonnes of solid waste (including sludge), 6 million tonnes of fly ash, 3 million tonnes of oil sludge, and 1 million tons of new industries)”. The coordinated development of various industries will go hand in hand to build a new pattern of industrial development.

In terms of the industrial hazardous waste treatment business, firstly, under the guidance of the fly ash development plan, we will carry out market research and profit analysis comprehensively, and gradually improve the project layout. At the same time, we will strengthen our communication with the government and large-scale waste-to-energy enterprises, and focus on the implementation of key projects. Secondly, we will actively seek strategic cooperation opportunities with upstream companies in oil and gas field development, lock in the market, and promote the layout. We will speed up project layout around the blank areas that have not yet been deployed, and build a benchmark enterprise for oil sludge treatment from point to area. Thirdly, we will fully consider the combination of traditional treatment and cement kilns, and prudently carry out the acquisition of traditional treatment projects in areas with long kiln suspension during off-peak peaks and high pressure on atmospheric control, and improve market network coverage.

In terms of the industrial solid waste treatment business, firstly, we will dig deep into the sludge treatment industry market, prioritize key areas such as the Yangtze River Delta and Beijing-Tianjin-Hebei. At the same time, we will strengthen strategic cooperation with large water treatment companies to jointly promote the construction of “sewage + sludge” model projects. Secondly, we will strengthen the research and development of solid waste alternative fuel technology, carry out front-end market research, systematically make a good project layout, implementation and production mode discussion, and carry out trials for the implementation of alternative fuel projects.

Coordinating the further improvement of operation quality, deepening technical transformation and technical measures, and enhancing core competitiveness

We will intensively cultivate the market and improve the ability to control the market. Firstly, we will fully increase our market share and seize customer resources. We will pay attention to the bidding dynamics of high-volume waste-producing enterprises, and enhance our cooperation and communication with large-scale waste-producing enterprises. We will take advantage of temporary storage resources to expand the scope of small and micro customer service. We will focus on the expansion of cross-provincial business, and strive to open up inter-provincial transfer channels such as Beijing-Tianjin-Hebei. Secondly, we will actively carry out industry exchanges with large environmental protection enterprises and establish a good competition and cooperation relationship between enterprises. Thirdly we will comprehensively promote the integrated management of the market and carry out the integration of regional resources. We will adhere to the business philosophy of “direct sales as the primary and distribution as the ancillary” to realize the continuous optimization of cost management.

Deepening technical transformation and promote the organic integration of management models. Firstly, we will closely focus on annual goals and tasks, strengthen our scheduling, fulfill the tasks, focus on strengthening regional coordination, and speed up the resolution of production and operation bottlenecks. Secondly, we will strengthen our communication with cement kiln waste co-processing units and coordinate in a scientific manner. We will carry out trials to explore the organic integration with cement entities co-processing factory management model to improve production and treatment efficiency, At the same time, We will enhance our overall planning of procurement resources to reduce operating costs. Thirdly, we will continue to deepen the technical transformation measures, optimize the fly ash treatment process technology, cross the key limits to improve the quality and efficiency of project operations.

Strictly controlling the progress of projects, fulfilling the safety responsibility, and improving the level of risk management and control

Firstly, we will strictly follow the schedule of project construction, safeguard the quality of project construction, ensure that the project is completed on schedule with high quality, continuously optimize the project design plan, reduce project construction costs, and create model projects. Secondly, we will consolidate safety obligations, strengthen the supervision and inspection of the safety management process, enhance the operation and maintenance of environmental protection equipment to promote the further improvement of management efficiency. Thirdly, we will strengthen the control of risk sources, strengthen the tracking of contract execution, and pay close attention to the management of accounts receivable. Fourthly, we will attach great importance to compliance management, pay close attention to the key elements of the Company's operations, increase the supervision of risk areas to improve the overall effectiveness of audit supervision.

FINAL DIVIDENDS

The Board resolved not to declare any final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The 2023 annual general meeting (the “AGM”) of the Company will be held on Tuesday, 27 June 2023.

The notice of the AGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.conchenviro.com) and sent to the shareholders of the Company (the “Shareholders”) as and when appropriate.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as Shareholders to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 June 2023.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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 the end of the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

During the period from Listing Date to the end of the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee, which comprises three independent non-executive Directors, namely Ms. WANG Jiafen, being the chairlady of the Audit Committee, Mr. HAO Jiming and Mr. DAI Xiaohu, has reviewed the annual results of the Group for the year ended 31 December 2022. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 2022 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites as and when appropriate.

For and on behalf of the Board
China Conch Environment Protection Holdings Limited
Li Qunfeng
Chairman

Anhui Province, the People's Republic of China
27 March 2023

As at the date of this announcement, the Board comprises Mr. LI Xiaobo (General Manager), Ms. LIAO Dan and Mr. FAN Zhan as executive Directors; Mr. LI Qunfeng (Chairman), Mr. XIAO Jiexiang and Mr. MA Wei as non-executive Directors; and Mr. DAI Xiaohu, Ms. WANG Jiafen and Ms. LI Chen as independent non-executive Directors.