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## CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

#### HIGHLIGHTS

Financial Highlights	For the six months ended 30 June		Change
	2020	2019	
Revenue (HK\$'000)	<b>2,005,738</b>	2,004,030	+0.1%
Included: Revenue from power sales and waste treatment (HK\$'000)	<b>941,174</b>	853,813	+10.2%
Gross profit (HK\$'000)	<b>678,283</b>	618,268	+9.7%
EBITDA (HK\$'000)	<b>877,435</b>	751,429	+16.8%
Profit for the period (HK\$'000)	<b>452,407</b>	400,260	+13.0%
Profit attributable to equity holders of the Company (HK\$'000)	<b>451,688</b>	400,771	+12.7%
Basic earnings per share (HK cents)	<b>18.6</b>	16.3	+14.1%
Interim dividend per share (HK cents)	<b>3.7</b>	3.2	+15.6%
Cash generated from operating projects (HK\$'000) <sup>(1)</sup>	<b>518,468</b>	350,059	+48.1%

Note:

<sup>(1)</sup> Cash generated from operating projects represented net cash generated from/used in operating activities for the period, excluding net operating cash used for project construction under BOT arrangements.

## Operational Highlights

- During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 3,297,000 tonnes. The Group generated 1,272,051,000 kWh from green energy, saving 378,000 tonnes of standard coal and offsetting 1,886,000 tonnes of carbon dioxide equivalent emissions<sup>(1)</sup>.
- Phase 1 of Dianbai WTE plant and Xinyi WTE plant commenced trial operation during the period under review.
- In January 2020, the Group was awarded the concession rights of Yingkou WTE project (with a total daily MSW processing capacity of 2,250 tonnes). In July 2020, the Group was awarded the concession rights of Taizhou WTE project (with a total daily MSW processing capacity of 850 tonnes) and Hunyuan WTE project (with a total daily MSW processing capacity of 1,000 tonnes).
- In January 2020, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun which owns the concession rights to build and operate a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province, with a total daily MSW processing capacity of 1,000 tonnes.
- In July 2020, Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region.
- In July 2020, the Group obtained a term loan facility of HK\$1,938.0 million (with incremental facilities of up to a further HK\$1,170.0 million) from a financial institution.

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2020. The condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's independent auditor, PricewaterhouseCoopers.

### *Note:*

- (1) The Group has adopted the methodology as stated in Clean Development Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to calculate and offset greenhouse gas emissions from operating projects. The greenhouse gas emission calculation methodologies account for the carbon dioxide equivalent emitted from fossil fuels used for electricity generation and emissions from the combustion of MSW, and methane released from the wastewater treatment process.

## **CHAIRLADY'S STATEMENT**

To all Honorable Shareholders,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the six months ended 30 June 2020 (the "Period").

To support and promote the philosophy of "*Lucid Waters and Lush Mountains are Invaluable Assets*", the Central People's Government of the PRC ("Central Government") continued to embed ecological civilization in the nation's overall development plan, seek harmony between human and nature, attach great importance to environmental protection, encourage the development of green, low carbon and circular economy. As 2020 denotes the last year of the 13th Five Year Plan (「十三五」規劃), the Central Government has issued various opinions and directives to support the healthy development of the WTE industry. Canvest continued to benefit from favorable policies and initiatives and fully capture the market development opportunities. The Group actively promotes green and circular economy and develops its WTE and environmental protection business, and has achieved steady business growth.

## **FINANCIAL PERFORMANCE**

In the first half of 2020, the Group's revenue was HK\$2,005.7 million, and the profit attributable to equity holders of the Company increased by 12.7% year-on-year to HK\$451.7 million. The increase was mainly attributable to the improvement in the efficiency of the operating plants.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board has proposed the declaration of an interim dividend of HK3.7 cents per ordinary share for the six months ended 30 June 2020 (corresponding period of 2019: HK3.2 cents).

## **BUSINESS REVIEW**

As at 30 June 2020, we had 30 WTE projects with total daily MSW processing capacity of 45,640 tonnes, of which 14 projects were in operation with total daily MSW processing capacity of 18,340 tonnes, and the remaining 16 projects were under construction or were planning according to schedule. As at the date of this announcement, our portfolio further increased to 32 WTE projects, with total daily MSW processing capacity amounted to 47,490 tonnes.

During the Period, Canvest successfully expanded its geographic footprint to Liaoning Province through the addition of Yingkou WTE project. The Group also acquired the Xiangyun WTE project, further increasing the market share in Yunnan Province. During the first half of 2020, Xinyi WTE plant and Phase I of Dianbai WTE plant had commenced trial operation and started to generate operating revenue for the Group.

Canvest is committed to the sustainability of the environment. In the first half of 2020, the Group innocuously treated 3,297,000 tonnes of MSW and generated 1,272,051,000 kWh of green electricity, reduced emission of carbon dioxide equivalent by 1,886,000 tonnes and saved 378,000 tonnes of standard coal.

During the period, Canvest continued its effort to promote the betterment of the environment. One of the key initiatives was to ensure every WTE plant would organize a tree planting event, to raise awareness of the many benefits of greeneries, such as noise reduction, temperature cooling, oxygen production and absorption of carbon dioxide. Furthermore, maintaining a beautiful plant site creates harmony in the surrounding environment and establishes goodwill that is well received by the local communities.

## **OUTLOOK**

During the period, the Central Government has published several new policies related to the WTE industry, in particular, the “Opinions on Facilitating the Sound Development of Power Generation Through Non-water Renewable Energy” (《關於促進非水可再生能源發電健康發展的若干意見》— 財建[2020]4號) and “Measures for the Administration of Additional Subsidies for Renewable Energy Electricity Prices” (關於印發《可再生能源電價附加補助資金管理辦法》的通知 — 財建[2020]5號) jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration, and the “Guiding Opinions on Building Contemporary Environmental Governance System” (《關於構建現代環境治理體系的指導意見》) jointly published by the General Office of the Communist Party and the State Council in March 2020. The new policies provide guidance on the reform of the tariff subsidy system, and promote fiscal, taxation, financial support to the industry value chain. We are pleased to see the release of these policies, and will work closely with local governments to support the sustained development of the WTE industry.

In June 2020, the Ministry of Finance and Ministry of Ecology and Environment jointly published the “Notice on the Suspension of Subsidies for Renewable Energy Electricity Prices of Waste-to-Energy Plants Violating Environmental Standards” (《關於核減環境違法垃圾焚燒發電項目可再生能源電價附加補助資金的通知》— 財建[2020]199號), requiring WTE plants to install pollutant emission automatic monitoring devices, to have electronic display at the entrance of the plants to disclose real-time pollutant emission and operation data, and to connect automatic monitoring devices online with the environmental department, in order to enjoy subsidy. Any non-compliance, such as failure to display data, failure to meet environmental standards, or displaying forging data may result in reduction in subsidy amount, or even disqualification from the subsidy scheme entirely. The new policy reflects the Central Government’s commitment to ensure full compliance of the environmental standards by WTE plants, which will help to foster healthy development and bring new opportunities to the WTE industry. As a leading integrated environmental protection and sanitation solution provider adhering to high operating and environmental standards, we welcome the new policy, as we believe that maintaining high standards will promote and support the long term and sustainable development of our industry.

The outbreak of COVID-19 since the beginning of 2020 has caused significant impact to the world, resulting in global economic slowdown and posing increased uncertainties to business operations. To protect the health and safety of our staff and maintain the normal operation of our plants, the Group had timely adopted pandemic and prevention control measures and provided sufficient sanitization and protective supplies. In addition, the Group worked closely with local governments to provide timely treatment of non-hazardous medical waste, and had implemented special procedures in our MSW treatment process to prevent secondary transmission of viruses. We have also donated protective supplies and provided financial support to those in need, supporting local communities to fight against the virus.

Despite immense challenges and unprecedented uncertainties posed by the outbreak of COVID-19, the Group will continue its mission “to protect the blue sky and clean water, and build a beautiful home’, to focus on quality projects, uphold high operating standards, and create synergies with our strategic partners. We will fully capture the business opportunities in the market, make contribution to the society and achieve steady and sustained growth.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, business partners and stakeholders for their continued and unfailing support, and to our staff members for their dedication and hard work. Canvest is committed to its corporate philosophy to “unite as one, work meticulously and strive for excellence” to achieve sustainable growth and create values for all our stakeholders.

**Lee Wing Yee Loretta**  
*Chairlady*

Hong Kong, 20 August 2020

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2020*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2020</b> (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Revenue	3	2,005,738	2,004,030
Cost of sales	4	<u>(1,327,455)</u>	<u>(1,385,762)</u>
<b>Gross profit</b>		<b>678,283</b>	618,268
General and administrative expenses	4	(121,208)	(120,256)
Other income	5	85,360	76,280
Other losses, net	6	<u>(13,384)</u>	<u>(8,292)</u>
<b>Operating profit</b>		<b>629,051</b>	566,000
Interest income	7	4,725	2,718
Interest expense	7	<u>(148,143)</u>	<u>(106,913)</u>
Interest expense, net		<b>(143,418)</b>	(104,195)
Share of net profits of associates and a joint venture		<u>47,177</u>	<u>14,059</u>
<b>Profit before income tax</b>		<b>532,810</b>	475,864
Income tax expense	8	<u>(80,403)</u>	<u>(75,604)</u>
<b>Profit for the period</b>		<u><b>452,407</b></u>	<u>400,260</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>451,688</b>	400,771
Non-controlling interests		<u>719</u>	<u>(511)</u>
		<u><b>452,407</b></u>	<u>400,260</u>
<b>Earnings per share</b>			
— basic ( <i>expressed in HK cents per share</i> )	9(a)	<u><b>18.6</b></u>	<u>16.3</u>
— diluted ( <i>expressed in HK cents per share</i> )	9(b)	<u><b>18.6</b></u>	<u>16.3</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

*For the six months ended 30 June 2020*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>452,407</b>	400,260
<b>Other comprehensive loss, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	<u>(119,809)</u>	<u>(20,703)</u>
Other comprehensive loss for the period, net of tax	<u>(119,809)</u>	<u>(20,703)</u>
<b>Total comprehensive income for the period</b>	<b><u>332,598</u></b>	<b><u>379,557</u></b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>340,449</b>	380,063
Non-controlling interests	<u>(7,851)</u>	<u>(506)</u>
	<b><u>332,598</u></b>	<b><u>379,557</u></b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 June 2020*

	<i>Note</i>	As at <b>30 June 2020</b> (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		131,769	139,288
Property, plant and equipment		1,236,393	1,305,361
Intangible assets		8,289,627	7,112,119
Interests in associates and a joint venture		852,203	774,433
Deferred tax asset		7,242	11,163
Long-term deposits and prepayments	11	384,612	621,026
Receivables under service concession arrangements		1,586,362	1,336,113
		<b>12,488,208</b>	<b>11,299,503</b>
<b>Current assets</b>			
Inventories		10,761	6,619
Other receivables, deposits and prepayments	11	439,229	533,980
Receivables under service concession arrangements		133,112	103,485
Trade and bills receivables	11	620,239	465,916
Restricted deposits		42,213	36,937
Cash and cash equivalents		1,207,141	1,020,327
		<b>2,452,695</b>	<b>2,167,264</b>
<b>Total assets</b>		<b>14,940,903</b>	<b>13,466,767</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		24,395	24,405
Share premium		2,640,551	2,644,040
Other reserves		397,157	437,600
Retained earnings		3,001,592	2,717,222
		<b>6,063,695</b>	<b>5,823,267</b>
Non-controlling interests		196,126	199,440
<b>Total equity</b>		<b>6,259,821</b>	<b>6,022,707</b>



		As at <b>30 June 2020</b> (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		5,387,112	4,561,520
Lease liabilities		—	1,073
Deferred income tax liabilities		624,497	537,757
Deferred government grants		134,381	105,954
Other non-current liabilities		5,615	5,109
Other payables	12	<u>169,551</u>	<u>177,244</u>
		<u>6,321,156</u>	<u>5,388,657</u>
<b>Current liabilities</b>			
Trade and other payables	12	1,037,467	1,179,169
Current income tax liabilities		48,744	46,332
Bank borrowings		1,263,329	815,437
Lease liabilities		4,506	6,794
Deferred government grants		<u>5,880</u>	<u>7,671</u>
		<u>2,359,926</u>	<u>2,055,403</u>
<b>Total liabilities</b>		<u>8,681,082</u>	<u>7,444,060</u>
<b>Total equity and liabilities</b>		<u>14,940,903</u>	<u>13,466,767</u>
<b>Net current assets</b>		<u>92,769</u>	<u>111,861</u>
<b>Total assets less current liabilities</b>		<u>12,580,977</u>	<u>11,411,364</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### Significant events and transactions

- (a) On 26 November 2019, the Group entered into the equity transfer agreement with the vendors to acquire the entire equity interest of Zhongshan City Guangye Longcheng Environmental Company Limited (“Zhongshan Guangye”) at a total consideration of RMB340,000,000 (equivalent to approximately HK\$378,284,000) (subject to downwards adjustment). Zhongshan Guangye owns the concession right to operate a waste-to-energy (“WTE”) plant in Zhongshan, Guangdong. The daily municipal solid waste (“MSW”) processing capacity of the Zhongshan WTE Plant is 1,040 tonnes. The transaction was completed in January 2020.
- (b) On 6 January 2020, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun Environmental Energy Co., Ltd (“Xiangyun Shengyun”), a company incorporated in the People’s Republic of China (“PRC”) with limited liability, at a consideration of RMB4,000,000 (equivalent to HK\$4,470,000). Xiangyun Shengyun owns the build-operate-transfer (“BOT”) concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province with a total daily MSW processing capacity of 1,000 tonnes. As at the date of this announcement, the transaction has yet to be completed.
- (c) On 20 January 2020, the Group has entered into the framework agreement in relation to the WTE plant public-private-partnership project located in Yingkou City, Liaoning Province with the Bureau of Housing and Urban-Rural Development in Yingkou City. The total daily MSW processing capacity of this WTE plant shall be 2,250 tonnes.
- (d) After the outbreak of Coronavirus Disease in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In the meantime, the Group has implemented precautionary and control measures in all projects to fight against this disease and safeguard its employees and business operations. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the condensed consolidated interim financial information as a result of this disease.

## 2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## 3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the six months ended 30 June 2020, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2019: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue is generated in the PRC and most of its non-current assets are located in the PRC for the six months ended 30 June 2020 (2019: same).

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Revenue from power sales	673,143	612,929
Waste treatment fee	268,031	240,884
Construction revenue arising from BOT arrangement	962,350	1,053,970
Finance income arising from BOT arrangement	46,908	44,143
Environmental hygiene services income	55,306	52,104
	<u>2,005,738</u>	<u>2,004,030</u>

For the six months ended 30 June 2020, the Group had transactions with one (for the six months ended 30 June 2019: three) customer which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$369,011,000 was derived from the largest customer for the six months ended 30 June 2020, while revenue of approximately HK\$449,224,000, HK\$391,071,000 and HK\$343,201,000 were derived from the largest, second largest and third largest customer for the six months ended 30 June 2019, respectively.

#### 4 EXPENSES BY NATURE

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Maintenance cost	74,430	71,294
Environmental protection expenses	115,919	130,529
Remuneration to the Company's auditor		
— Audit services	1,500	1,500
Remuneration to other auditors		
— Audit services	351	356
— Non-audit services	101	195
Employee benefit expenses	158,694	155,200
Depreciation and amortisation		
— Property, plant and equipment	62,893	62,862
— Intangible assets	128,556	100,653
— Right-of-use assets	5,033	5,137
Other lease expenses*	4,685	4,298
Construction cost recognised for construction of BOT projects (included in cost of sales)	<b>801,958</b>	<b>878,595</b>

\* These expenses relate to short-term leases or leases of low-value assets. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

#### 5 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Value-added tax ("VAT") refund (Note (i))	63,533	60,729
Management income (Note (ii))	—	6,103
Government grants (Note (iii))	4,057	2,448
VAT relief (Note (iv))	2,995	—
Others	14,775	7,000
	<b>85,360</b>	<b>76,280</b>

*Note:* (i) The amount represents the Group's entitlement to a VAT refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the VAT on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

(ii) Management income for the six months ended 30 June 2019 is derived from the provision of management services to a company whose directors consist of key management personnel from the Group.

(iii) Government grants recognised were related to the construction of infrastructure under service concession arrangements. There were no unfulfilled conditions and other contingencies attached to the receipts of these grants.

(iv) The amount represents the Group's entitlement to VAT relief in accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19. There were no unfulfilled conditions and other contingencies attached to the entitlements of such VAT relief. There is no assurance the Group will continue to enjoy such VAT relief in the future.

## 6 OTHER LOSSES, NET

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss/(gain) on disposal of property, plant and equipment	889	(110)
Exchange losses, net	12,495	8,402
	<u>13,384</u>	<u>8,292</u>

## 7 INTEREST INCOME AND EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest expense on bank borrowings	(181,617)	(112,871)
Interest expense on lease liabilities	(138)	(277)
Less: amount capitalised on qualifying assets	33,612	6,235
	<u>(148,143)</u>	<u>(106,913)</u>
Interest income from bank deposits	2,130	2,718
Interest income from an associate (Note)	2,595	—
	<u>(143,418)</u>	<u>(104,195)</u>

Note: As at 30 June 2020, a shareholder's loan of HK\$109,480,000 (as at 31 December 2019: HK\$111,630,000) was granted to Dongguan Xindongyuan Environmental Investment Company Limited, which is owned as to 49% by the Group and accounted for as an associate in the interim condensed consolidated balance sheet, and is unsecured and interest-bearing at the rate announced by the People's Bank of China and included in "Interests in associates and a joint venture" in the interim condensed consolidated balance sheet.

## 8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Current income tax</b>		
PRC enterprise income tax ("EIT")	40,778	38,971
Hong Kong profits tax	—	—
	<u>40,778</u>	<u>38,971</u>
<b>Total current income tax</b>	<b>40,778</b>	<b>38,971</b>
<b>Deferred income tax</b>	<b>39,625</b>	<b>36,633</b>
	<u>80,403</u>	<u>75,604</u>

No Hong Kong profits tax has been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the period (2019: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the six months ended 30 June 2020 and 2019 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax incentive that the project would be fully exempted from the PRC EIT for three years starting from the tax year in which the project recorded its first operating revenue, followed by a 50% tax reduction for the ensuing three years.

<b>Subsidiaries</b>	<b>Applicable tax rate</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Dongguan China Scivest Environmental Power Company Limited — phase 2 of its project	<b>0%</b>	0%
Dongguan Eco-Tech Environmental Power Company Limited — phase 1 of its project	<b>12.5%</b>	12.5%
— phase 2 of its project	<b>12.5%</b>	0%
Zhanjiang Canvest Environmental Power Company Limited	<b>12.5%</b>	12.5%
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited		
— phase 1 of its project	<b>12.5%</b>	12.5%
— phase 2 of its project	<b>12.5%</b>	0%
Laibin Canvest Environmental Power Company Limited	<b>12.5%</b>	0%
Zhongshan Guangye	<b>12.5%</b>	N/A
Beiliu Canvest Environmental Power Company Limited	<b>0%</b>	0%
Lufeng Canvest Environmental Power Company Limited	<b>0%</b>	0%
Xinfeng Canvest Environmental Power Company Limited	<b>0%</b>	0%
Xinyi Canvest Environmental Power Company Limited	<b>0%</b>	25%
Maoming Canvest Environmental Power Company Limited	<b>0%</b>	25%

## 9 EARNINGS PER SHARE

### (a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company and weighted average number of ordinary shares in issue, excluding treasury shares and shares held under Share Award Scheme, during the period.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>451,688</u>	<u>400,771</u>
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<u>2,429,441</u>	<u>2,452,932</u>
Basic earnings per share ( <i>HK cents</i> )	<u>18.6</u>	<u>16.3</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary share: share options (2019: same). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2020 and 2019 were the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

## 10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK3.7 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK3.2 cents per ordinary share), payable on Friday, 9 October 2020 to shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020. The interim dividend, amounting to HK\$90,264,000 (six months ended 30 June 2019: HK\$78,099,000), has not been recognised as a dividend payable in the condensed consolidated interim financial information. The amount of interim dividend declared for the six months ended 30 June 2020 was calculated based on the number of ordinary shares in issue at the date of this announcement (i.e. 20 August 2020).

The final dividend of HK4.1 cents per ordinary share for the year ended 31 December 2019 (for the year ended 31 December 2018: HK2.7 cents per ordinary shares) has been approved by the shareholders at the annual general meeting of the Company held on Friday, 12 June 2020, and was subsequently paid on Friday, 10 July 2020. The final dividends for the year ended 31 December 2019, amounting to HK\$100,021,000, have been recognised as dividends payable as at 30 June 2020.

## 11 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<b>Non-current assets</b>		
Deposits for investments	181,204	528,769
Prepayments for property, plant and equipment and concession rights	201,025	89,508
Other prepayments	2,383	2,749
	<u>384,612</u>	<u>621,026</u>
<b>Current assets</b>		
Trade and bills receivables		
— Trade receivables	617,261	461,676
— Bills receivables	2,978	4,240
Other receivables, deposits and prepayments		
— Deposits and prepayments	90,708	82,984
— Other receivables (Note)	105,755	187,584
— Value-added tax recoverable	242,766	263,412
	<u>1,059,468</u>	<u>999,896</u>
	<u>1,444,080</u>	<u>1,620,922</u>

*Note:* During the year ended 31 December 2019, the Group has entered into an agreement with an entity which is ultimately controlled by the Shanghai municipal government (“Entity”). Pursuant to the terms of the agreement, this Entity shall reimburse the sum paid by the Group for obtaining the shares of Shanghai Shengong Environmental Protection Engineering Co., Ltd. (“上海神工環保股份有限公司”) and Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited (“上海寶山神工生活廢物處置有限公司”). Related payments of RMB68,759,000 (equivalent to approximately HK\$75,278,000) (31 December 2019: RMB65,708,000 (equivalent to approximately HK\$73,350,000)) was paid by the Group and was recorded in “other receivables” as at 30 June 2020.

Other than balance mentioned above, as at 31 December 2019, the balance mainly include receivables in relation to the management service income from a company whose directors consist of the Group’s key management personnel.

The Group determines the provision for expected credit losses by grouping together trade and bills receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and bills receivables which are long overdue with significant balances, they are assessed individually for impairment allowance. The expected credit losses is minimal as the majority of the trade and bills receivables are due from government authorities in the PRC which has no recent history of default.

The credit period granted by the Group is generally 30 days. The maturity of the bills receivables is within 6 months.



The ageing analysis of trade receivables based on invoice date is as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Up to 1 month	257,049	208,268
1 to 3 months	118,075	80,259
3 to 6 months	51,465	36,133
Over 6 months	47,370	33,104
	<u>473,959</u>	<u>357,764</u>
Unbilled receivables (Note)	143,302	103,912
	<u>617,261</u>	<u>461,676</u>

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects pursuant to “Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” (關於開展可再生能源發電補貼項目清單審核有關工作的通知) announced by the Ministry of Finance of the PRC.

## 12 TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<b>Non-current liabilities</b>		
Other payables (Note (a))	169,551	177,244
<b>Current liabilities</b>		
Trade payables (Note (b))	168,410	154,002
Dividend payable (Note 10)	100,021	—
Accruals and other payables (Note (a))	769,036	1,025,167
	<u>1,037,467</u>	<u>1,179,169</u>
	<u>1,207,018</u>	<u>1,356,413</u>

Note:

- (a) Other payables, which are non-current in nature, mainly include retention payables for construction projects. Accruals and other payables, which are current in nature, mainly include accrued staff costs and other staff benefits, construction payables and value-added tax payables.
- (b) Included in “Trade payables” are payables of HK\$36,606,000 (as at 31 December 2019: HK\$34,706,000) due to the Group’s associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.

The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Up to 1 month	132,069	109,655
1 to 2 months	10,728	13,126
2 to 3 months	7,394	5,820
Over 3 months	18,219	25,401
	<u>168,410</u>	<u>154,002</u>

### 13 EVENTS AFTER BALANCE SHEET DATE

- (a) On 6 July 2020, Jianyang Canvest Environmental Power Company Limited (“Jianyang Canvest”) (a joint venture with 50% equity held by the Group and 50% equity held by Jianyang Lujiang Biochemical Co., Ltd. (“Jianyang Lujiang”), an independent third party) entered into loan agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. (“DRC Bank”), pursuant to which DRC Bank will provide Jianyang Canvest with a loan in an aggregate amount of RMB700,000,000 (approximately HK\$770,000,000) with a term of not more than 180 months for the development and construction of the Jianyang WTE plant.

Canvest Kewei Environmental Investment (Guangdong) Company Limited (“Kewei”), a wholly-owned subsidiary of the Group, together with the ultimate beneficial owner of Jianyang Lujiang and his spouse, entered into a joint and several guarantee agreement with DRC Bank, pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700,000,000 (approximately HK\$770,000,000) (equivalent to the total amount of the loan), inclusive of principal, corresponding interest, default interest, compound interest, liquidated damages and deferred payment, as well as necessary and reasonable expenses and all other related expenses incurred in realizing the security right and creditor’s rights. The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Further, the shares representing 50% equity of Jianyang Canvest held by Jianyang Lujiang will also be pledged to DRC Bank until the date of the loan is fully repaid.

- (b) On 17 July 2020, the Company entered into a facility agreement with a financial institution, pursuant to which a term loan facility in the aggregate amount of HK\$1,938,000,000 (with incremental facilities of up to a further HK\$1,170,000,000) with a term of 36 months has been granted to the Company. Loan amounting HK\$1,938,000,000 had been drawdown on 28 July 2020.
- (c) In July 2020, the Group was awarded the concession rights in relation to the WTE plant located in Hunyuan City, Shangxi Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes.
- (d) In July 2020, the Group was conditionally awarded the concession rights in relation to the WTE plant located in Taizhou City, Jiangsu Province. The total daily MSW processing capacity of this WTE plant shall be 850 tonnes.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the global business and macroeconomic environment experienced unprecedented changes as a result of the COVID-19 pandemic. As at the date of this announcement, the outbreak of the pandemic is still spreading and its impact will probably last for a long time. To tackle the outbreak of COVID-19, the Group established a dedicated leadership team to formulate the preventive and control plan of the Group, provide guidance to project companies, monitoring the implementation of the safety measures by project companies, as well as central procurement and distribution of preventive gears and disinfectants.

As a responsible corporate citizen, aside from our donations to charities, we sent protective masks or materials to the society and handled non-hazardous medical wastes under the full supervision by professionals. During the period under review and up to the date of this announcement, the outbreak of COVID-19 had no material impact on our operations of the WTE projects. The Group will closely monitor and assess the impact of this disease and will take more proactive measures as appropriate. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

Following the implementation of “Regulation on the Application of Automatic Monitoring Data of WTE plant” (生活垃圾焚燒發電廠自動監測數據應用管理規定), which all WTE plants must connect the automatic monitoring equipment with the ecology and environmental departments with effect from 1 January 2020. Ministry of Finance and Ministry of Ecology and Environment of the Peoples’ Republic of China jointly announced the “Notice on the Suspension of Subsidies for Renewable Energy Electricity Prices of Waste-to-Energy Plants Violating Environmental Standard” (關於核減環境違法垃圾焚燒發電項目可再生能源電價附加補助資金的通知). It clearly stated that pre-requisite conditions for the application to the Projects List of Renewable Energy Electricity Subsidies (可再生能源發電補貼項目清單) and the conditions of reduction, suspension, restoration and removal of subsidy as a results of environmental law violations.

In August 2020, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment of the People’s Republic of China jointly published the “Implementation Plan on Municipal Solid Waste Sorting and Remedy the Shortcomings and Strengthening the weakness in Processing Facility” (城鎮生活垃圾分類和處理設施補短板強弱項實施方案). It clearly stated that the area, with over 300 tonnes daily MSW, should mainly adopt waste incineration and basically achieve zero MSW to landfill in 2023, upgrade the WTE project to ensure stable emission can meet the discharge standard. With the implementation of the abovementioned laws and regulations, we look forward to seeing the development of the industry in a healthy manner for the next several years.

## OVERALL PERFORMANCE

For the six months ended 30 June 2020, the Group's revenue was HK\$2,005.7 million (corresponding period in 2019: HK\$2,004.0 million). Revenue from power sales and waste treatment was HK\$941.2 million (corresponding period in 2019: HK\$853.8 million). The operating profit was HK\$629.1 million (corresponding period in 2019: HK\$566.0 million). Profit attributable to equity holders of the Company was HK\$451.7 million (corresponding period in 2019: HK\$400.8 million), representing an increase of 12.7%. Basic earnings per share was HK18.6 cents (corresponding period in 2019: HK16.3 cents).

During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 3,297,000 tonnes. The Group generated 1,272,051,000 kWh from green energy, saving 378,000 tonnes of standard coal and reducing emission of carbon dioxide equivalent by 1,886,000 tonnes.<sup>1</sup>

### I. Waste-to-energy Business

#### *Projects and Processing Capacity*

As at 30 June 2020, the operating daily MSW processing capacity of 14 projects of the Group reached 18,340 tonnes.

As at 30 June 2020 and the date of this announcement, there are 30 and 32 operating, secured and announced projects in our portfolio, respectively.

Daily MSW processing capacity reached 45,640 tonnes as at 30 June 2020 and the date of this announcement are 47,490 tonnes.

The following table sets forth the breakdown of the daily MSW processing capacity by regions as at the date of this announcement.

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	18	26,790
Western China Region	3	5,000
Eastern China Region	5	8,850
Northern China and Northeast China Regions	5	6,050
Central China Region	1	800
<b>Total</b>	<b>32</b>	<b>47,490</b>

<sup>1</sup> The Group has adopted the methodology as stated in Clean Development Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to calculate and offset greenhouse gas emissions from operating projects. The greenhouse gas emission calculation methodologies account for the carbon dioxide equivalent emitted from fossil fuels used for electricity generation and emissions from the combustion of MSW, and methane released from the wastewater treatment process.

The following table sets forth the operational details by regions for the period under review.

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
<b>Southern China Region</b>	<b>Guangdong Province</b>		
	Processed MSW ( <i>tonnes</i> )	<b>2,470,836</b>	2,169,363
	Power generated ( <i>MWh</i> )	<b>993,364</b>	901,441
	Power sold ( <i>MWh</i> )	<b>872,214</b>	793,868
	<b>Guizhou Province</b>		
	Processed MSW ( <i>tonnes</i> )	<b>216,437</b>	203,229
	Power generated ( <i>MWh</i> )	<b>77,200</b>	67,752
	Power sold ( <i>MWh</i> )	<b>64,771</b>	56,220
	<b>Guangxi Zhuang Autonomous Region</b>		
Processed MSW ( <i>tonnes</i> )	<b>454,483</b>	355,112	
Power generated ( <i>MWh</i> )	<b>142,673</b>	121,644	
Power sold ( <i>MWh</i> )	<b>125,178</b>	105,994	
<b>Central China Region</b>	<b>Jiangxi Province</b>		
	Processed MSW ( <i>tonnes</i> )	<b>154,920</b>	109,155
	Power generated ( <i>MWh</i> )	<b>58,814</b>	33,922
Power sold ( <i>MWh</i> )	<b>51,409</b>	28,709	
<b>Total</b>	Processed MSW ( <i>tonnes</i> )	<b>3,296,676</b>	2,836,859
	Power generated ( <i>MWh</i> )	<b>1,272,051</b>	1,124,759
	Power sold ( <i>MWh</i> )	<b>1,113,572</b>	984,791

*Note:* The difference between the power generated and the power sold is attributable to various factors, including but not limited to internal power usage and transmission losses.

### ***Southern China Region***

#### *Guangdong Province*

Eco-Tech I & II WTE plants, Kewei WTE plant, China Scivest I & II WTE plants, Zhanjiang WTE plant, Zhongshan WTE plant and Phase 1 of Lufeng WTE plant continued to provide contributions during the period under review.

Phase 1 of Dianbai WTE plant and Xinyi WTE plant commenced trial operation in first half 2020. Qingyuan WTE plant, Shaoguan WTE plant, Xuwen WTE plant and Machong WTE plant are under construction.

The transaction in relation to the acquisition of 100% equity interest of Zhongshan Guangye was completed in January 2020.

#### *Guizhou Province*

Xingyi WTE plant continued to provide contributions during the period under review and Liping WTE plant is in the planning stage.

### *Guangxi Zhuang Autonomous Region*

Laibin WTE plant and Beiliu WTE plant continued to provide contributions during the period under review.

### ***Western China Region***

The Group holds 50% equity interest in Jianyang Canvest, which in turn holds the Jianyang WTE plant. Phase 1 of Jianyang WTE plant and Ruili WTE plant are under construction.

On 6 January 2020, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun Environmental Energy Co., Ltd (“Xiangyun Shengyun”), a company established under the laws of the PRC with limited liability, at a consideration of RMB4.0 million (equivalent to HK\$4.5 million). Xiangyun Shengyun owns the BOT concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province with a total daily MSW processing capacity of 1,000 tonnes. The plant is in the planning stage.

### ***Eastern China Region***

Jingjiang WTE plant, Baoshan WTE plant and Shen County WTE plant are in the planning stage.

In July 2020, the Group was conditionally awarded the WTE plant PPP project located in Taizhou City, Jiangsu Province. The total daily MSW processing capacity of this WTE plant shall be 850 tonnes. The project is currently under planning.

Phase 1 of Zaozhuang WTE plant is under technological upgrade and phase 2 of this plant is under construction, which will be expected to commence trial operation by end of 2020.

### ***Northern China and Northeast China Region***

Linfen WTE plant and Wuchang WTE plant are in the planning stage and Mancheng WTE plant is under construction.

In July 2020, the Group was awarded the PPP project in relation to WTE plant located in Hunyuan City, Shangxi Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The project is currently under planning.

On 20 January 2020, Kewei has entered into the framework agreement in relation to the WTE plant PPP project located in Yingkou City, Liaoning Province with the Bureau of Housing and Urban-Rural Development in Yingkou City. The total daily MSW processing capacity of this WTE plant shall be 2,250 tonnes. The Yingkou WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 1,500 tonnes and phase 2 shall be 750 tonnes. Phase 1 of this project is under construction.

## ***Central China Region***

### *Jiangxi Province*

Xinfeng WTE plant continued to provide contributions during the period under review.

## **II. Environmental Hygiene and Related Services**

For the six months ended 30 June 2020, Dongguan Xindongyue processed 54,692 tonnes solidified fly ash and provided contributions to the Group.

Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC, is under trial operation.

Sichuan Jiajieyuan, a renowned environmental hygiene and related services player in the PRC, and Johnson, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong, continued to provide stable contributions during the period under review. In July 2020, Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region.

## **REVENUE**

During the period under review, the Group's revenue reached HK\$2,005.7 million, as compared with the revenue amounted to HK\$2,004.0 million in the corresponding period in 2019. Among that, revenue from power sales and waste treatment fees for the period under review reached HK\$941.2 million, representing an increase of 10.2% from the corresponding period in 2019.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2020 and 2019:

	<b>Six months ended 30 June</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Revenue from power sales	<b>673,143</b>	<b>33.6%</b>	612,929	30.6%
Revenue from waste treatment fees	<b>268,031</b>	<b>13.4%</b>	240,884	12.0%
Construction revenue arising from BOT arrangement	<b>962,350</b>	<b>48.0%</b>	1,053,970	52.6%
Finance income arising from BOT arrangement	<b>46,908</b>	<b>2.3%</b>	44,143	2.2%
Environmental hygiene services income	<b>55,306</b>	<b>2.7%</b>	52,104	2.6%
<b>Total</b>	<b><u>2,005,738</u></b>	<b><u>100.0%</u></b>	<b><u>2,004,030</u></b>	<b><u>100.0%</u></b>

The following table sets forth the breakdown of the Group's revenue by region for the six months ended 30 June 2020 and 2019:

	<b>Six months ended 30 June</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Southern China Region	<b>1,492,004</b>	<b>74.4%</b>	1,852,611	92.4%
Central China Region	<b>41,580</b>	<b>2.1%</b>	99,315	5.0%
Western China Region	<b>122,316</b>	<b>6.1%</b>	52,104	2.6%
Northern China and Northeast China Region	<b>180,405</b>	<b>9.0%</b>	—	—
Eastern China Region	<b>169,433</b>	<b>8.4%</b>	—	—
<b>Total</b>	<b><u>2,005,738</u></b>	<b><u>100.0%</u></b>	<b><u>2,004,030</u></b>	<b><u>100.0%</u></b>

## **COST OF SALES**

Cost of sales primarily consists of cost of fuels, maintenance cost, depreciation and amortisation, employee and related benefit expenses, environmental protection expenses and construction cost.

During the period under review, cost of sales decreased by 4.2% from HK\$1,385.8 million in 2019 to HK\$1,327.5 million in 2020. It was mainly attributable to the decrease in construction cost.



## GROSS PROFIT AND GROSS PROFIT MARGIN

During the period under review, gross profit of the Group amounted to HK\$678.3 million, representing an increase of 9.7% as compared to HK\$618.3 million in 2019. The increase in gross profit was mainly attributable to the improvement in the efficiency of the operating plants.

The following table sets forth the breakdown of the Group's gross profit by nature for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Power sales and waste treatment operations	459,286	67.7%	391,017	63.2%
Construction service arising from BOT arrangement	160,390	23.7%	175,375	28.4%
Finance income arising from BOT arrangement	46,908	6.9%	44,143	7.1%
Environmental hygiene services income	11,699	1.7%	7,733	1.3%
Total	<u>678,283</u>	<u>100.0%</u>	<u>618,268</u>	<u>100.0%</u>

Gross profit margin of the Group increased from 30.9% in the corresponding period of 2019 to 33.8% in the current period of 2020. The increase was mainly due to the improvement in the efficiency of the operating plants.

	Six months ended 30 June	
	2020	2019
	Gross profit margin	Gross profit margin
Power sales and waste treatment operations	48.8%	45.8%
Construction service arising from BOT arrangement	16.7%	16.7%
Finance income arising from BOT arrangement	100.0%	100.0%
Environmental hygiene services income	21.2%	14.8%
Gross profit margin of the Group	<u>33.8%</u>	<u>30.9%</u>

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly comprise of employee and related benefit expenses for administrative personnel, promotion, entertainment and travelling expenses, depreciation and amortisation, security expenses, office expenses and others.

General administrative expenses increased by 0.8% from HK\$120.3 million in the corresponding period of 2019 to HK\$121.2 million in the current period of 2020. It was mainly due to additional plants under operation.

## **OTHER INCOME**

Other income mainly consisted of VAT refund, government grants and others. Other income increased by 11.9% from HK\$76.3 million in the corresponding period of 2019 to HK\$85.4 million in the current period of 2020. The increase was mainly due to the additional operating plants that were entitled to have VAT refund, sewage treatment income from certain WTE plants and VAT relief to Sichuan Jiajieyuan due to the outbreak of COVID-19.

## **OTHER LOSSES, NET**

During the period under review, other net losses recorded HK\$13.4 million as compared to HK\$8.3 million in the corresponding period of 2019. The increase was mainly due to increase in foreign exchange loss.

## **INTEREST EXPENSE, NET**

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. Net interest expenses increased by 37.6% from HK\$104.2 million in the corresponding period of 2019 to HK\$143.4 million in the current period of 2020. The increase in interest expenses was due to the increase in borrowings.

## **INCOME TAX EXPENSES**

Income tax expenses increased by 6.3% from HK\$75.6 million in the corresponding period of 2019 to HK\$80.4 million in the current period of 2020. It was mainly attributable to the increase in current enterprise income tax incurred by Eco-Tech II WTE plant as a result of transiting from full tax exemption in the corresponding period of 2019 to half tax exemption in the corresponding period of 2020.

## **PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY**

Profit attributable to the equity holders of the Company increased by 12.7% from HK\$400.8 million in the corresponding period of 2019 to HK\$451.7 million in the current period of 2020.

## **CAPITAL STRUCTURE**

The shares of the Company were listed on the Hong Kong Stock Exchange on 29 December 2014. The capital structure of the Company is comprised of ordinary shares.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

### **Financial resources**

During the period under review, the Group generated HK\$518.5 million in cash from operating projects (corresponding period in 2019: HK\$350.1 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$1,184.5 million (corresponding period in 2019: HK\$621.1 million). As a result, the total net cash used in operating activities amounted to HK\$666.0 million during the period under review (corresponding period of 2019: HK\$271.0 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 30 June 2020, the total cash and cash equivalents of the Group were HK\$1,207.1 million (31 December 2019: HK\$1,020.3 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

### **Borrowings**

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 30 June 2020, the Group's bank borrowings were HK\$6,650.4 million (31 December 2019: HK\$5,377.0 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2019: same) and all of them were at floating interest rates (31 December 2019: same).

In July 2020, the term loans amounting to HK\$1,409.2 million (the "Loans") have been fully repaid.

On 17 July 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$1,938.0 million (with incremental facilities of up to a further HK\$1,170.0 million) with a term of 36 months. The proceeds of HK\$1,938.0 million have been fully utilized for the repayment of the Loans and general working capital.

On 6 July 2020, Kewei, together with the ultimate beneficial owner of Jianyang Lujiang Biochemical Co., Ltd. ("Jianyang Lujiang"), an independent third party, and his spouse, entered into a joint and several guarantee agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% equity held by Jianyang Lujiang) a guarantee in the aggregate amount of not exceeding RMB700.0 million (approximately HK\$770.0 million) (equivalent to the total amount of the loan provided by DRC Bank to Jianyang Canvest for development and construction of Jianyang WTE plant). The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Please refer to the announcement of the Company dated 6 July 2020 for further details.

Net asset of the Group was HK\$6,259.8 million (31 December 2019: HK\$6,022.7 million). The increase in net asset was mainly attributable to the profit generated during the period under review.

The following table sets forth the analysis of the Group's borrowings as at 30 June 2020 and 31 December 2019.

	<b>As at 30 June 2020 HK\$'000</b>	As at 31 December 2019 HK\$'000
Portion of term loans due to repayment after one year		
— secured	<b>5,387,112</b>	4,561,520
Portion of term loans due for repayment within one year		
— secured	<b>1,068,329</b>	735,437
Revolving loan due for repayment within one year		
— unsecured	<b>195,000</b>	80,000
Total bank borrowings	<b><u>6,650,441</u></b>	<b><u>5,376,957</u></b>

The gearing ratio is the ratio of total liabilities divided by total assets. As at 30 June 2020, the gearing ratio was 58.1% (31 December 2019: 55.3%).

As of 30 June 2020, the Group had banking facilities (including the Loans) in the amount of HK\$10,032.1 million, of which HK\$3,378.2 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

### **Cost of Borrowings**

For the six months ended 30 June 2020, the total cost of borrowings of the Group was HK\$148.1 million (corresponding period in 2019: HK\$106.9 million), representing an increase of HK\$41.2 million. The increase was due to the interest expenses in relation to the increase in borrowings. Effective interest rate ranged from 2.06% to 5.81% for the six months ended 30 June 2020 (corresponding period in 2019: 2.50% to 5.39%).

### **FOREIGN EXCHANGE RISK**

The major operating subsidiaries of the Group operate in the PRC with transactions mainly settled in Renminbi, being the functional currency of such subsidiaries. Moreover, bank deposits of the Group were denominated in Hong Kong dollars, Renminbi and US dollars while bank loans were denominated in Hong Kong dollars and Renminbi. Save as disclosed above, the Group did not have any material exposures to foreign exchange risk. The Group does not have any financial instrument for the purpose of hedging. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings and deposits.

## **COMMITMENTS**

As at 30 June 2020, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$3,514.2 million (31 December 2019: HK\$4,457.0 million). Its capital commitment contracted for but not yet provided for in the condensed consolidated interim financial information in relation to construction cost for BOT amounted to HK\$3,894.3 million (31 December 2019: HK\$1,504.3 million), acquisition of subsidiaries amounted to HK\$2.6 million (31 December 2019: HK\$29.0 million), capital injection to Zaozhuang Zhongke amounted to HK\$86.3 million (31 December 2019: HK\$88.0 million), which will be settled through recapitalisation of future profit of Zaozhuang Zhongke, and capital injection to associates and a joint venture amounted to HK\$164.9 million (31 December 2019: HK\$206.5 million).

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF MATERIAL CAPITAL ASSETS IN THE FUTURE**

### **Acquisition of 100% equity interest in Xiangyun Shengyun**

On 6 January 2020, Kewei entered into an equity transfer agreement with Anhui Shengyun Environmental Protection (Group) Co., Ltd., pursuant to which Kewei agreed to acquire the entire equity interest of Xiangyun Shengyun at a total consideration of RMB4.0 million (approximately equivalent to HK\$4.5 million).

Xiangyun Shengyun owns the concession right to build and operate a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province. The total daily MSW processing capacity of Xiangyun WTE Plant is 1,000 tonnes. Please refer to the announcement of the Company dated 6 January 2020 for further details.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the six months ended 30 June 2020. Apart from those disclosed in this announcement, there were no other material investments or additions of capital assets authorised by the Board at the date of this announcement.

## **CAPITAL EXPENDITURES**

For the six months ended 30 June 2020, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$814.6 million (corresponding period in 2019: HK\$890.9 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

## **CONTINGENT LIABILITIES**

The Group holds 49% equity interest in Dongguan Xindongyuan, which holds 30% equity interest in Dongguan Xindongqing. As at 30 June 2020, the Group provided a guarantee of RMB32.3 million (approximately HK\$35.4 million) for bank loans of Dongguan Xindongqing.

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2020.

## **PLEDGE OF ASSETS**

As at 30 June 2020, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, property, plant and equipment, and concession rights (31 December 2019: certain of its rights to collect revenue from power sales, waste handling services and environmental hygiene services, property, plant and equipment, and concession rights) with an aggregate carrying amount of HK\$7,990.0 million (31 December 2019: HK\$6,342.1 million) to certain banks to secure certain credit facilities granted to the Group.

## **CONTINUING CONNECTED TRANSACTIONS**

On 12 July 2018, the Company entered into the leasing framework agreement (“Leasing Framework Agreement”) with Yue Xing in relation to the leasing of its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive). This transaction is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules. The annual cap for the transaction for the period from 13 July 2018 to 31 December 2018 is RMB3.5 million. The annual caps for the financial years ending 31 December 2019 and 2020 are RMB7.0 million and RMB7.0 million, respectively, and the annual cap for the period from 1 January 2021 to 30 June 2021 is RMB3.5 million. For the six months ended 30 June 2020, the rent paid by the Group to Yue Xing was HK\$3.6 million (corresponding period of 2019: HK\$3.2 million). Please refer to the announcement of the Company dated 12 July 2018 for further details.

## **HUMAN RESOURCES**

As at 30 June 2020, the Group employed a total of 3,071 employees, 61 of them were at management level. By geographical locations, it had 3,044 employees in the PRC and 27 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). Total remuneration costs, including Directors’ remuneration, for the six months ended 30 June 2020 were HK\$158.7 million (corresponding period in 2019: HK\$155.2 million).

On 3 May 2019, the Company adopted the Share Award Scheme in which the Eligible Persons will be entitled to participate. The objectives of the Share Award Scheme are to (i) recognize the contributions of the Eligible Persons and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. A scheme rule and trust deed

between the Company and Bank of Communications Trustee Limited as the Trustee have been entered into in this regard. Please refer to the announcements of the Company dated 3 May 2019 and 9 May 2019 for further details.

#### **EVENTS AFTER BALANCE SHEET DATE**

- (a) On 6 July 2020, Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% equity held by Jianyang Lujiang) entered into the loan agreement with DRC Bank, pursuant to which DRC Bank will provide the Jianyang Canvest with a loan in an aggregate amount of RMB700.0 million (approximately HK\$770.0 million) with a term of not more than 180 months for the development and construction of the Jianyang WTE Plant.

Kewei, together with the ultimate beneficial owner of Jianyang Lujiang and his spouse, entered into the guarantee agreement with DRC Bank, pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700.0 million (approximately HK\$770.0 million) (equivalent to the total amount of the loan), inclusive of principal, corresponding interest, default interest, compound interest, liquidated damages and deferred payment, as well as necessary and reasonable expenses and all other related expenses incurred in realizing the security right and creditor's rights. The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Further, the shares representing 50% equity of Jianyang Canvest held by Jianyang Lujiang will also be pledged to DRC Bank until the date of the loan is fully repaid.

- (b) On 17 July 2020, the Company (as borrower) entered into the Facility Agreement with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$1,938.0 million (with incremental facilities of up to a further HK\$1,170.0 million) with a term of 36 months. The proceeds of HK\$1,938.0 million have been fully utilized for the repayment of the Loans and general working capital.
- (c) In July 2020, the Group was awarded the PPP project in relation to a WTE plant located in Hunyuan City, Shangxi Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The project is currently under planning.
- (d) In July 2020, the Group was awarded the WTE plant PPP project located in Taizhou City, Jiangsu Province. The total daily MSW processing capacity of this WTE plant shall be 850 tonnes. The project is currently under planning.

#### **CHANGES SINCE 31 DECEMBER 2019**

Saved as disclosed above, there were no other significant changes in the Group's financial position or information as disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2019.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK3.7 cents (corresponding period in 2019: HK3.2 cents) per share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Friday, 9 October 2020 to the Shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from Wednesday, 16 September 2020 to Friday, 18 September 2020 (both days inclusive), during such period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Tuesday, 15 September 2020.

## **PUBLIC FLOAT**

Based on the information that is available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital held by the public for the six months ended 30 June 2020 and as at the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2020, the Company has complied with the code provisions of the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the six months ended 30 June 2020.

## **REVIEW OF INTERIM RESULTS**

The audit committee comprises three independent non-executive Directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial information. There is no disagreement between the Board and the audit committee regarding the accounting treatment adopted by the Company.



The interim results for the six months ended 30 June 2020 have not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

On 9 January 2020, 1,038,000 shares, which the Company repurchased in November 2019, were cancelled.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2020.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2020 containing all the information required under the Listing Rules will be dispatched to the Company’s Shareholders and will be posted on the above websites in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the board comprises Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man, Mr. Yuan Guozhen and Mr. Lai Chun Tung, as executive Directors; Mr. Feng Jun and Mr. Lui Ting Cheong Alexander, as non-executive Directors; Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Wing Yin and Mr. Chung Kwok Nam, as independent non-executive Directors.

By Order of the Board  
**Canvest Environmental Protection Group Company Limited**  
**LEE Wing Yee Loretta**  
*Chairlady*

Hong Kong, 20 August 2020

## GLOSSARY

Beiliu	Beiliu Canvest Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
China or PRC	the People’s Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited** (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Director(s)	director(s) of the Company

Dongguan Xindongqing	Dongguan Xindongqing Environmental Investment Company Limited** (東莞市新東清環保投資有限公司), a company incorporated in the PRC with limited liability and Dongguan Xindongyuan holds 30% equity interest of it
Dongguan Xindongyuan	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company incorporated in the PRC with limited liability and the Group holds 49% equity interest of it
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞新東粵環保實業有限公司), a company incorporated in the PRC with limited liability and the Group holds 35% equity interest of it
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eco-Tech	Dongguan Eco-Tech Environmental Power Company Limited** (東莞市科偉環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFC	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates

Jiayang Canvest	Jiayang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it
Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955). The Group holds 30.75% equity interest of it
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as “Dongguan Kewei Environmental Power Company Limited”)** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin	Laibin Canvest Environmental Power Company Limited (formerly known as “Laibin Zhongke Environmental Power Company Limited”)** (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Lufeng	Lufeng Canvest Environmental Power Company Limited** (陸豐粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠中田新能源有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share Award Scheme	the share award scheme of the Company adopted by the Board on 3 May 2019 in accordance with the rules relating to the said scheme as amended from time-to-time
Share(s)	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
Shen County	Shen County Shanghai Industrial Environmental Energy Company Limited** (莘縣上實環保能源有限公司), a company incorporated in the PRC with limited liability and the Group holds 20% equity interest of it
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
SIIC Environment	SIIC Environment Holdings Limited, a company incorporated in the Republic of Singapore with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 807) and Singapore Exchange Limited (stock code: BHK.SG)
SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company

Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xiangyun Shengyun	Xiangyun Shengyun Environmental Energy Co., Ltd** (祥雲盛運環保電力有限公司), a company incorporated in the PRC with limited liability
Xinfeng	Xinfeng Canvest Environmental Power Company Limited (formerly known as “Jiangxi Xinfeng Kun Yue Environmental Protection Company Limited”)** (信豐粵豐環保電力有限公司) (formerly known as 江西信豐坤躍環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xingyi	Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited** (黔西南州興義市鴻大環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xinyi	Xinyi Canvest Environmental Power Company Limited** (信宜粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xuwen	Xuwen Canvest Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Yue Xing	Dongguan City Yue Xing Company Limited** (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director of the Company, and his associate
Zaozhuang Zhongke	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

Zhanjiang	Zhanjiang Canvest Environmental Power Company Limited** (湛江市粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Zhongshan Guangye	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Zhongzhou Environmental	Huizhou City Zhongzhou Environmental Resources Company Limited** (惠州市中洲環保資源有限公司), a company incorporated in the PRC with limited liability

% per cent

\* *Cash generated from operating projects and EBITDA are non-HKFRS measures which are useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business. Additionally, as the Group has historically reported certain non-HKFRS results to investors, the Group considers that the inclusion of non-HKFRS measures provides consistency in our financial reporting.*

\*\* *For identification purposes only*