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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

Financial Highlights	For the year ended 31 December		Change
	2020	2019	
Revenue (HK\$'000)	4,987,906	3,952,216	+26.2%
Included: Revenue from power sales and waste treatment (HK\$'000)	2,062,249	1,756,910	+17.4%
Gross profit (HK\$'000)	1,545,124	1,265,526	+22.1%
EBITDA (HK\$'000)	2,061,573	1,563,901	+31.8%
Profit for the year (HK\$'000)	1,057,183	892,051	+18.5%
Profit attributable to equity holders of the Company (HK\$'000)	1,053,790	892,622	+18.1%
Basic earnings per share (HK cents)	43.4	36.6	+18.6%
Final dividend per share (HK cents)	4.9	4.1	+19.5%
Cash generated from operating projects (HK\$'000) ⁽¹⁾	1,295,956	956,634	+35.5%

Note:

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

Operational Highlights

- During the year, the Group's implementation of innocuous treatment of waste volume amounted to 7,174,000 tonnes. The Group generated 2,795,543,000 kWh from green energy, saving 739,000 tonnes of standard coal and offsetting 3,733,000 tonnes of carbon dioxide equivalent emissions⁽¹⁾.
- Phase 1 of Dianbai WTE plant, Xinyi WTE plant, Zaozhuang WTE plant, phase 1 of Shaoguan WTE plant, Xuwen WTE plant and phase 1 of Jianyang WTE plant commenced trial operation during the year.
- 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 2021, the Group was awarded the concession rights of Changning WTE project (with a total daily MSW processing capacity of 1,000 tonnes). In February 2021, the Group was awarded the concession rights of Huizhou WTE project (with a total daily MSW processing capacity of 1,000 tonnes).
- In July 2020 and January 2021, Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region and Xinyi City, Guangdong Province, respectively.
- 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. In November 2020, the Group obtained a term loan facility of HK\$390.0 million from a financial institution.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2020.

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 (the “Group”), I am pleased to report the satisfactory results of the Group for the year ended 31 December 2020 (the “year”).

2020 was the last year of the 13th Five Year Plan (「十三五」規劃), the Central People's Government of the PRC (“Central Government”) successfully further the advancement of ecological civilization, firmly established and carried out the philosophy of “Lucid Waters and Lush Mountains are Invaluable Assets” and building a “Beautiful China”. The Central Government continued to develop green, low carbon and circular economy and promote the development of environmental protection. During the year, the Central Government had issued various opinions and directives to support the steady and healthy development of the WTE industry. Canvest successfully seized opportunities in the environmental industry and continued to benefit from favorable policies and initiatives. The Group's WTE and environmental protection business recorded steady growth.

As a leading integrated urban management services provider in Guangdong Province, Canvest fully support our country's strategic development in enterprise innovation, the betterment of citizen's livelihood and building and maintaining a beautiful environment. The Group seized the development opportunities of the Greater Bay Area, promoted the application of smart technologies and green innovation, and strengthened its competitiveness and market leading position.

Financial Performance

During the year, the Group's revenue increased by 26.2% year-on-year to HK\$4,987.9 million, and the profit attributable to equity holders of the Company increased by 18.1% year-on-year to HK\$1,053.8 million. The increase was mainly attributable to the increase in power sales and waste treatment fees from newly operating plants and the construction revenue from the additional projects.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board has proposed the declaration of a final dividend of HK4.9 cents per ordinary Share for the year ended 31 December 2020 (2019: HK4.1 cents). If approved by Shareholders, the total dividend of 2020 would be HK8.6 cents per Share (2019: HK7.3 cents).

Business Review

As at 31 December 2020, we had 32 WTE projects with total daily MSW processing capacity of 46,890 tonnes, of which 18 projects were in operation with total daily MSW processing capacity of 23,090 tonnes, and the remaining 14 projects were under construction or planning according to schedule. As at the date of this announcement, our portfolio further increased to 34 WTE projects, with total daily MSW processing capacity amounted to 51,140 tonnes.

In 2020, Canvest continued to develop the Group's core WTE business. The Group further expanded the project portfolio in Yunnan Province, Jiangsu Province and Shanxi Province, and successfully expanded its business presence to 13 provinces and municipalities in China. The increase of contracted daily MSW processing capacity during the year has reached 5,100 tonnes. In early 2021, the Group was awarded the Changning and Huizhou project, further consolidating the Group's market share in the industry.

During the year, the Group had successfully completed the construction and commenced the operation of numerous projects. Phase 1 of Dianbai WTE plant, Xinyi WTE plant, Zaozhuang WTE plant, phase 1 of Shaoguan WTE plant, Xuwen WTE plant and phase 1 of Jianyang WTE plant had commenced trial operation during the year and started to generate operating revenue for the Group. In November 2020, Eco-Tech I & II WTE plants, Kewei WTE plant, Zhanjiang WTE plant and Zhongshan WTE plant were awarded "Grade AAA Household Waste Incineration Plant" (AAA級生活垃圾焚燒廠) by the China Association of Urban Environmental Sanitation, the highest grade in the rating system, in recognition of the high quality standard of our WTE plants. Together with China Scivest I WTE plant, the Group now have six projects passed the nation's Grade AAA assessment, further strengthening Canvest's leading position in the WTE industry.

During the year, the Group proactively seek new financing channels to support our business development needs, and successfully obtained a term loan facility of HK\$1,938.0 million (with incremental facilities) from a financial institution in July 2020, as well as a term loan facility of HK\$390.0 million from another financial institution in November 2020, supporting the Group's steady growth in the future.

Canvest is committed to the betterment and sustainability of the environment. In 2020, the Group innocuously treated 7,174,000 tonnes of waste and generated 2,795,543,000 kWh of green electricity, offset 3,733,000 tonnes of carbon dioxide equivalent emissions and saved 739,000 tonnes of standard coal. Our environmental, social and governance (“ESG”) performance is widely recognized by the market, and we are pleased to receive “A” score from MSCI ESG Ratings for the third consecutive year in 2020. In acknowledgement of the Group’s contribution and commitment towards a low-carbon and sustainable future, we were awarded the “EcoChallenger” in the “BOCHK Corporate Environmental Leadership Awards 2019”. In addition, we were pleased to receive the “People’s Choice Award” in “EY World Entrepreneur of The Year 2020”, the “Leading ESG Initiative Award — Leading Social Initiative Award” in “Bloomberg Businessweek/ Chinese Edition ESG Leading Enterprise Awards 2020”, and the “Certificate for Excellence in Investor Relations” in “IR Magazine Awards — Greater China 2020”. In addition, we were selected by “The Asian Private Equity & Venture Capital Awards 2020” of AVCJ under the “Responsible Investment Award” category. All these awards and recognitions are great honor and encouragement to our company, our management team and our staff.

Outlook

The outbreak of COVID-19 since the beginning of 2020 has significant impact on the world, resulting in economic slowdown in many countries and posing unexpected uncertainties to business operations. As a member of the environmental industry, the Group has worked closely with local governments during the peak of the pandemic 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. To protect the health and safety of our staff and maintain normal operation of our plants, the Group had timely adopted pandemic and prevention control measures and provided sufficient sanitization and protective supplies. We had also donated protective supplies and provided financial support to those in need, supporting local communities to fight against the virus.

Looking ahead to 2021, which denotes the first year of the nation's 14th Five Year Plan (「十四五」規劃), the Group is committed to support national policies on green development, green transformation and carbon neutrality. The Group will adhere to its mission “to protect the blue sky and clean water, and build a beautiful home”, and will facilitate the construction and commencement of operation of WTE projects as planned. Through maintaining high operating standard, enhancing operating efficiency and profitability of our projects, optimizing our capital structure, our core WTE business will mature and become our pillar revenue generator. Leveraging on our market leading position in the WTE and environmental hygiene and related services industry, the Group intends to offer new integrated smart city management services, further expanding our business lines. We will follow green development plan, develop green technologies and adopt green digitalization. By embracing innovation and pursuing quality growth, we will begin the next chapter and embark on a new journey.

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 bring greater values for all of our stakeholders.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	2	4,987,906	3,952,216
Cost of sales	3	(3,442,782)	(2,686,690)
Gross profit		1,545,124	1,265,526
General and administrative expenses	3	(325,363)	(241,915)
Other income	4	211,828	155,317
Other gains/(losses), net	5	47,767	(7,832)
Operating profit		1,479,356	1,171,096
Interest income	6	10,747	7,094
Interest expense	6	(351,389)	(211,277)
Interest expense, net		(340,642)	(204,183)
Share of net profits of associates and a joint venture		118,195	54,770
Profit before income tax		1,256,909	1,021,683
Income tax expense	7	(199,726)	(129,632)
Profit for the year		1,057,183	892,051
Attributable to:			
Equity holders of the Company		1,053,790	892,622
Non-controlling interests		3,393	(571)
		1,057,183	892,051
Earnings per share			
— basic (<i>expressed in HK cents per share</i>)	8(a)	43.4	36.6
— diluted (<i>expressed in HK cents per share</i>)	8(b)	43.4	36.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>1,057,183</u>	<u>892,051</u>
Other comprehensive income/(loss):		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	<u>464,566</u>	<u>(125,391)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>464,566</u>	<u>(125,391)</u>
Total comprehensive income for the year	<u>1,521,749</u>	<u>766,660</u>
Attributable to:		
Equity holders of the Company	<u>1,501,624</u>	767,162
Non-controlling interests	<u>20,125</u>	<u>(502)</u>
Total comprehensive income for the year	<u>1,521,749</u>	<u>766,660</u>

CONSOLIDATED BALANCE SHEET

	As at 31 December	
	2020	2019
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Right-of-use assets	165,363	139,288
Property, plant and equipment	1,313,342	1,305,361
Intangible assets	10,498,427	7,112,119
Interests in associates and a joint venture	1,184,971	774,433
Deferred tax asset	4,045	11,163
Long-term deposits and prepayments	9 650,389	621,026
Receivables under service concession arrangements	1,836,244	1,336,113
	<u>15,652,781</u>	<u>11,299,503</u>
Current assets		
Inventories	15,353	6,619
Other receivables, deposits and prepayments	9 674,631	533,980
Receivables under service concession arrangements	164,189	103,485
Trade and bills receivables	9 699,031	465,916
Restricted deposits	46,252	36,937
Cash and cash equivalents	1,769,598	1,020,327
	<u>3,369,054</u>	<u>2,167,264</u>
Total assets	<u><u>19,021,835</u></u>	<u><u>13,466,767</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	24,395	24,405
Share premium	2,640,551	2,644,040
Other reserves	1,027,163	437,600
Retained earnings	3,442,497	2,717,222
	<u>7,134,606</u>	<u>5,823,267</u>
Non-controlling interests	284,815	199,440
Total equity	<u><u>7,419,421</u></u>	<u><u>6,022,707</u></u>

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		8,357,650	4,561,520
Lease liabilities		—	1,073
Deferred income tax liabilities		728,722	537,757
Deferred government grants		202,505	105,954
Other non-current liabilities		6,864	5,109
Other payables	<i>10</i>	—	177,244
		<u>9,295,741</u>	<u>5,388,657</u>
Current liabilities			
Trade and other payables	<i>10</i>	1,418,584	1,179,169
Current income tax liabilities		55,659	46,332
Bank borrowings		822,634	815,437
Lease liabilities		1,073	6,794
Deferred government grants		8,723	7,671
		<u>2,306,673</u>	<u>2,055,403</u>
Total liabilities		<u>11,602,414</u>	<u>7,444,060</u>
Total equity and liabilities		<u>19,021,835</u>	<u>13,466,767</u>
Net current assets		<u>1,062,381</u>	<u>111,861</u>
Total assets less current liabilities		<u>16,715,162</u>	<u>11,411,364</u>

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

1.1 Changes in accounting policy and disclosures

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

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New standards and interpretations not yet adopted*

Certain new or revised accounting standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2020 and have not been early adopted by the Group are as follows:

Standards/Interpretations	Subject	Effective for annual years beginning on or after
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendment)	Interest Rate Benchmark Reform — Phase 2	1 January 2021
HKAS 16 (Amendment)	Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts — Costs of Fulfilling a Contract	1 January 2022
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2018 to 2020 Cycle	1 January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is currently assessing the impact of these new or revised standards and interpretations on the Group’s financial position and performance.

2 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 year ended 31 December 2020, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — waste-to-energy (“WTE”) project construction and operation (2019: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China (“PRC”). All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2020 (2019: same).

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

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from power sales	1,470,289	1,263,882
Waste treatment fee	591,960	493,028
Construction revenue arising from build-operate-transfer (“BOT”) arrangement	2,705,275	2,014,086
Finance income arising from BOT arrangement	98,684	75,445
Environmental hygiene services income	121,698	105,775
	<u>4,987,906</u>	<u>3,952,216</u>

For the year ended 31 December 2020, the Group had transactions with one (2019: three) customer(s) which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$770,107,000 was derived from the largest customer for the year ended 31 December 2020, while revenue of approximately HK\$840,973,000, HK\$782,729,000 and HK\$589,931,000 were derived from the largest, the second largest and the third largest customer for the year ended 31 December 2019, respectively.

3 EXPENSES BY NATURE

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

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Maintenance cost	163,554	156,082
Environmental protection expenses	255,986	257,591
Remuneration to the Company's auditor		
— Audit services	3,000	3,000
— Non-audit services	923	350
Remuneration to other auditors		
— Audit services	826	717
— Non-audit services	135	367
Employee benefit expenses	350,564	304,442
Depreciation and amortisation		
— Property, plant and equipment	135,339	124,364
— Intangible assets	306,235	196,379
— Right-of-use assets	11,701	10,198
Other lease expenses*	9,295	9,361
Construction cost recognised for construction of BOT projects (included in cost of sales)	<u>2,254,396</u>	<u>1,678,408</u>

* These expenses are related 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.

4 OTHER INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Value-added tax refund (<i>Note (i)</i>)	137,177	119,688
Management income (<i>Note (ii)</i>)	—	12,209
Amortisation of deferred government grants (<i>Note (iii)</i>)	8,488	4,862
Government subsidies (<i>Note (iv)</i>)	31,903	703
Sales of incineration residues	13,923	11,831
Others	<u>20,337</u>	<u>6,024</u>
	<u>211,828</u>	<u>155,317</u>

Notes:

- (i) The amount represents the Group's entitlement to value-added tax refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the Value-Added Tax 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 year ended 31 December 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 those grants.
- (iv) The amount mainly 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, cash subsidies in respect of the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administrative Region Government and subsidies received from certain PRC government authorities as financial support to the growth of enterprises. There were no unfulfilled conditions and other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.

5 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/gain on disposals of property, plant and equipment	(937)	107
Exchange gain/(loss), net	48,704	(11,100)
Others	—	3,161
	<u>47,767</u>	<u>(7,832)</u>

6 INTEREST INCOME AND EXPENSE

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interest expense on bank borrowings	(398,819)	(236,096)
Interest expense on lease liabilities	(203)	(485)
Less: amount capitalised on qualifying assets	47,633	25,304
	<u>(351,389)</u>	<u>(211,277)</u>
Interest income from bank deposits	5,469	4,478
Interest income from an associate (<i>Note</i>)	5,278	2,616
	<u>10,747</u>	<u>7,094</u>
Interest expense, net	<u>(340,642)</u>	<u>(204,183)</u>

Note: As at 31 December 2020, a shareholder's loan of HK\$118,820,000 (as at 31 December 2019: HK\$111,630,000) was granted to an associate 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 consolidated balance sheet.

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
PRC enterprise income tax	102,920	64,547
Hong Kong profits tax	—	—
	<hr/>	<hr/>
Total current income tax	102,920	64,547
Deferred income tax	96,806	65,085
	<hr/>	<hr/>
Income tax expense	199,726	129,632
	<hr/> <hr/>	<hr/> <hr/>

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended 31 December 2020 and 2019. No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits for the year ended 31 December 2020 (2019: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the year ended 31 December 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 enterprise income tax 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.

Subsidiaries	Applicable tax rate	
	Year ended 31 December 2020	2019
Dongguan China Scivest Environmental Power Company Limited — phase 2 of its project	0%	0%
Dongguan Eco-Tech Environmental Power Company Limited — phase 1 of its project	12.5%	12.5%
— phase 2 of its project	12.5%	0%
Zhanjiang Canvest Environmental Power Company Limited	12.5%	12.5%
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited — phase 1 of its project	12.5%	12.5%
— phase 2 of its project	12.5%	0%
Laibin Canvest Environmental Power Company Limited	12.5%	0%
Zhongshan City Guangye Longcheng Environmental Company Limited	12.5%	N/A
Beiliu Canvest Environmental Power Company Limited	0%	0%
Lufeng Canvest Environmental Power Company Limited	0%	0%
Xinfeng Canvest Environmental Power Company Limited	0%	0%
Xinyi Canvest Environmental Power Company Limited	0%	25%
Maoming Canvest Environmental Power Company Limited	0%	25%
Zaozhuang Zhongke Environmental Energy Company Limited	0%	25%
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8 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 during the year and excluding treasury shares and shares held under share award scheme.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	<u>1,053,790</u>	<u>892,622</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>2,429,441</u>	<u>2,441,916</u>
Basic earnings per share (HK cents)	<u>43.4</u>	<u>36.6</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 (2019: one) category of dilutive potential ordinary share: share options (2019: share options). 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 year ended 31 December 2020 and 2019 are 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.

9 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Deposits for investments	—	528,769
Prepayments for property, plant and equipment and concession rights	648,373	89,508
Other prepayments	2,016	2,749
	<u>650,389</u>	<u>621,026</u>
Current assets		
Trade and bills receivables		
— Trade receivables	694,499	461,676
— Bills receivables	4,532	4,240
Other receivable, deposits and prepayments		
— Deposits and prepayments	53,918	82,984
— Other receivables (<i>Note (a)</i>)	237,801	187,584
— Value-added tax recoverable	382,912	263,412
	<u>1,373,662</u>	<u>999,896</u>
	<u>2,024,051</u>	<u>1,620,922</u>

Notes (a): In 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). As at 31 December 2020, related payments of RMB105,013,000 (equivalent to HK\$124,776,000) (as at 31 December 2019: RMB65,708,000 (equivalent to HK\$73,350,000)) was paid by the Group and was recorded in “other receivables”.

Other than balance mentioned above, as at 31 December 2020, the balance mainly include refundable tender deposits for potential projects (as at 31 December 2019: 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 (“ECL”) 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 ECL 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 was as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Up to 1 month	365,917	208,268
1 to 3 months	96,409	80,259
3 to 6 months	32,984	36,133
Over 6 months	40,809	33,104
	<u>536,119</u>	<u>357,764</u>
Unbilled receivables (<i>Note</i>)	<u>158,380</u>	<u>103,912</u>
	<u>694,499</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.

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Non-current liabilities		
Other payables (<i>Note</i>)	—	177,244
	-----	-----
Current liabilities		
Trade payables	185,831	154,002
Accruals and other payables (<i>Note</i>)	<u>1,232,753</u>	<u>1,025,167</u>
	<u>1,418,584</u>	<u>1,179,169</u>
	<u>1,418,584</u>	<u>1,356,413</u>

Note: 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.

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

	As at 31 December	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 1 month	149,993	109,655
1 to 2 months	9,577	13,126
2 to 3 months	6,507	5,820
Over 3 months	19,754	25,401
	185,831	154,002

11 DIVIDEND

The Board has proposed the payment of a final dividend of HK4.9 cents per ordinary share for the year ended 31 December 2020 (2019: HK4.1 cents per ordinary share), totalling to HK\$119,538,000 (2019: HK\$100,021,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,439,541,169 shares) at the date of this announcement (i.e. 23 March 2021).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 18 June 2021, the proposed final dividend are expected to be paid on Friday, 16 July 2021 to shareholders whose names appear on the register of members of the Company on Monday, 28 June 2021.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, the Company has declared an interim dividend of HK3.7 cents per ordinary share (2019: HK3.2 cents per ordinary share), totalling to HK\$90,264,000 (2019: HK\$78,099,000).

12 EVENTS AFTER THE BALANCE SHEET DATE

- (a) In January 2021, the Group has entered into an agreement in relation to the WTE project located in Changning City, Hunan Province with Urban Management and Law Enforcement Bureau of Changning City. The total daily municipal solid waste processing capacity of this WTE plant shall be 1,000 tonnes. Changning WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 600 tonnes and phase 2 shall be 400 tonnes. The project is in the planning stage.
- (b) In February 2021, the Group was conditionally awarded the WTE project located in Huizhou City, Guangdong Province. The total daily municipal solid waste processing capacity of this WTE plant shall be 1,000 tonnes. The project is in the planning stage.
- (c) In January 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interests in Anhui Xinlibo Car Park Management Services Company Limited (“Xinlibo”) at a consideration of RMB300,000. Xinlibo owns the management rights of certain car parks located in Tongling City, Anhui Province. The transaction has been completed in February 2021.

Management is still in the process of completing the purchase price allocation of this transaction.

MANAGEMENT DISCUSSION AND ANALYSIS

2020 represents the final year of the thirteenth Five-year Plan, during which extraordinary and far-reaching events took place. Under the impacts of the novel coronavirus pandemic and global instabilities, China dealt with stern economic challenges by adopting a series of comprehensive pandemic prevention and control measures, continuing reform and opening-up policies, so that China managed to become a major economic power to swiftly recover from the pandemic with positive growth.

Despite the challenges arising from economic conditions, the government continued to introduce various policies of ecological and environmental protection and treatment, in which the “Implementation Plan on Municipal Solid Waste Sorting and Remedying 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》) was published so that areas with over 300 tonnes daily MSW would achieve zero MSW to landfill by 2023; the “Notice on the Suspension of Subsidies for Renewable Energy Tariff 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》) was published so that subsidies for waste-to-energy plants violating environmental standard would be suspended in case of environmental issues identified from waste-to-energy plants; the “Implementation Plan on Improving Construction and Operation of Biomass Power Generation Projects” (《完善生物質發電項目建設運行的實施方案》) was published so that the mechanism for subsidizing biomass power generation projects would be improved; and the “Supplemental Circular on 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〉有關事項的補充通知》) was published so that the cap of subsidies would be set. These abovementioned policies aimed to safeguard healthy development of the entire industry in terms of quality and quantity by implementing marketization mechanisms to improve the quality of various environmental projects.

In this challenging environment, all members of the Group took concerted actions to combat the pandemic, including formulation of preventive and control plans, provide guidance to project companies, monitoring the implementation of the safety measures by project companies, centralized procurement and distribution of personal protective equipment and disinfectants at project companies, so as to minimize the adverse impacts. On the other hand, our stable and orderly construction and production activities were evidenced by zero infection cases involving all employees of the Group and contractors, multiple projects commenced operation and operating projects achieved optimistic results.

During the year and up to the date of this announcement, our business operations were not materially affected by the COVID-19 pandemic. The Group will closely monitor and assess the pandemic impacts, and take more proactive measures (wherever appropriate) in times of need. As at the date of this announcement, the Group is unaware that the pandemic has resulted in any material and adverse impact on the consolidated financial statements.

Leveraging on our market leading position in the WTE and environmental hygiene and related services industry, the Group continued to extend the development of its integrated smart city management services.

OVERALL PERFORMANCE

For the year ended 31 December 2020, the Group's revenue was HK\$4,987.9 million (2019: HK\$3,952.2 million), representing an increase of 26.2% over 2019. Revenue from power sales and waste treatment was HK\$2,062.2 million (2019: HK\$1,756.9 million), representing an increase of 17.4%. The operating profit was HK\$1,479.4 million (2019: HK\$1,171.1 million). Profit attributable to equity holders of the Company was HK\$1,053.8 million (2019: HK\$892.6 million), representing an increase of 18.1%. Basic earnings per share was HK43.4 cents (2019: HK36.6 cents).

During the year, the Group's implementation of innocuous treatment of waste volume amounted to 7,174,000 tonnes (including non-hazardous medical waste of 6,400 tonnes and smuggled frozen meat of 15,000 tonnes). The Group generated 2,795,543,000 kWh from green energy, saving 739,000 tonnes of standard coal and reducing emission of carbon dioxide equivalent by 3,733,000 tonnes.

I. Waste-to-energy Business

Projects and Processing Capacity

As at 31 December 2020, the operating daily MSW processing capacity of 18 projects of the Group reached 23,090 tonnes.

As at 31 December 2020 and the date of this announcement, there are 32 and 34 operating, secured and announced projects in our portfolio, respectively.

Daily MSW processing capacity reached 46,890 tonnes as at 31 December 2020 and 51,140 tonnes as at the date of this announcement.

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	20	30,040
Western China Region	3	5,000
Eastern China Region	5	8,850
Northern China and Northeast China Regions	4	5,450
Central China Region	2	1,800
Total	34	51,140

The following table sets forth the operational details by regions for the year:

		Year ended 31 December	
		2020	2019
Southern China Region	Guangdong Province		
	Processed MSW (tonnes)	5,454,640	4,386,489
	Power generated (MWh)	2,185,931	1,844,114
	Power sold (MWh)	1,920,536	1,623,271
	Guangxi Zhuang Autonomous Region		
	Processed MSW (tonnes)	850,450	818,154
	Power generated (MWh)	298,244	277,240
	Power sold (MWh)	261,791	242,427
	Guizhou Province		
Processed MSW (tonnes)	423,408	419,537	
Power generated (MWh)	154,372	142,573	
Power sold (MWh)	128,964	118,427	
Eastern China Region	Shandong Province		
	Processed MSW (tonnes)	134,593	—
	Power generated (MWh)	34,236	—
	Power sold (MWh)	30,084	—
Central China Region	Jiangxi Province		
	Processed MSW (tonnes)	311,374	287,772
	Power generated (MWh)	122,760	92,004
	Power sold (MWh)	107,035	78,517
Total	Processed MSW (tonnes)	7,174,465	5,911,952
	Power generated (MWh)	2,795,543	2,355,931
	Power sold (MWh)	2,448,410	2,062,642

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 I WTE plant and phase 1 of Lufeng WTE plant continued to provide contributions in 2020.

Phase 1 of Dianbai WTE plant and Xinyi WTE plant commenced trial operation in the first half of 2020. Phase 1 of Shaoguan WTE plant and Xuwen WTE plant commenced trial operation in the second half of 2020. Qingyuan WTE plant and Machong WTE plant are currently under construction. Zhongshan II WTE plant is currently in the planning stage.

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

In February 2021, the Group was conditionally awarded the WTE plant project located in Huizhou City, Guangdong Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The project is currently in the planning stage. Please refer to the announcement of the Company dated 25 February 2021 for further details.

Guizhou Province and Guangxi Zhuang Autonomous Region

Xingyi WTE plant, Laibin WTE plant and Beiliu WTE plant continued to provide contributions in 2020. Liping WTE plant is in the planning stage.

Western China Region

Sichuan Province

Phase 1 of Jianyang WTE plant commenced trial operation in the second half of 2020.

Yunnan Province

Phase 1 of Ruili WTE plant is under construction.

On 6 January 2020, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun at a consideration of RMB4.0 million (equivalent to HK\$4.6 million) and through capital injection of RMB14.2 million (equivalent to HK\$16.4 million) into Xiangyun Shengyun. It 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 currently in the planning stage.

Eastern China Region

Shandong Province

Zaozhuang WTE plant commenced trial operation in the second half of 2020. Shen County WTE plant is currently under planning.

Shanghai and Jiangsu Province

Baoshan WTE plant and Jingjiang WTE plant are under construction. 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.

Northern China and Northeast China Region

Linfen WTE plant and Mancheng WTE plant are under construction. In September 2020, the Group terminated the contract in relation to Wuchang WTE plant with Urban Management and Law Enforcement Bureau of Wuchang City as a result of the change of the national policy.

In July 2020, the Group was awarded the PPP project in relation to WTE plant located in Hunyuan County, Shanxi 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, the Group 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. 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 currently under construction.

Central China Region

Jiangxi Province

Xinfeng WTE plant continued to provide contributions in 2020.

Hunan Province

In January 2021, the Group has entered into an agreement in relation to the WTE plant project located in Changning City, Hunan Province with Urban Management and Law Enforcement Bureau of Changning City. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. Changning WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 600 tonnes and phase 2 shall be 400 tonnes. This project is currently under planning. Please refer to the announcement of the Company dated 25 February 2021 for further details.

II. Environmental Hygiene and Related Services

For the year ended 31 December 2020, Dongguan Xindongyue processed 113,000 tonnes of solidified fly ash and continued to provide 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, commenced to provide contributions to the Group.

Sichuan Jiajieyuan, a renowned environmental hygiene and related services player in the PRC, continued to provide stable contributions during the year. In July 2020 and January 2021, Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region and Xinyi City, Guangdong Province, respectively.

Johnson, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong, provided additional contributions to the Group during the year.

III. Management and Operations of Integrated Smart City Management Services Business

Leveraging on our market leading position in the WTE and environmental hygiene and services industry, the Group continued to develop its integrated smart city management services, such as smart car parking solutions.

ANALYSIS OF FINANCIAL RESULTS

Revenue

During the year, the Group's revenue reached HK\$4,987.9 million, representing an increase of 26.2% when compared with HK\$3,952.2 million in 2019. Among that, revenue from power sales and waste treatment fees for the year reached HK\$2,062.2 million, representing an increase of 17.4% from 2019. Increase in total revenue was mainly contributed by the increase in power sales and waste treatment fees from newly operating plants and the construction revenue from the additional projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from power sales	1,470,289	29.5%	1,263,882	32.0%
Revenue from waste treatment fees	591,960	11.9%	493,028	12.5%
Construction revenue arising from BOT arrangement	2,705,275	54.2%	2,014,086	51.0%
Finance income arising from BOT arrangement	98,684	2.0%	75,445	1.8%
Environmental hygiene services income	121,698	2.4%	105,775	2.7%
Total	<u>4,987,906</u>	<u>100.0%</u>	<u>3,952,216</u>	<u>100.0%</u>

The following table sets forth the breakdown of the Group's revenue by region for the year ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Southern China Region	3,270,262	65.6%	3,487,053	88.2%
Central China Region	85,289	1.7%	140,201	3.6%
Western China Region	391,415	7.8%	144,191	3.6%
Northern China and Northeast China Region	759,382	15.2%	59,597	1.5%
Eastern China Region	481,558	9.7%	121,174	3.1%
Total	<u>4,987,906</u>	<u>100.0%</u>	<u>3,952,216</u>	<u>100.0%</u>

Cost of Sales

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

During the year, cost of sales increased by 28.1% from HK\$2,686.7 million in 2019 to HK\$3,442.8 million in 2020. The increase was mainly attributable to the operating costs of new plants that have commenced operation and increase in construction cost.

Gross Profit and Gross Profit Margin

In 2020, gross profit of the Group amounted to HK\$1,545.1 million, representing an increase of 22.1% as compared to HK\$1,265.5 million in 2019. The increase in gross profit was mainly attributable to the improvement in the efficiency of the operating plants and increase in processing capacity in operation.

The following table sets forth the breakdown of the Group's gross profit by nature for the year ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Power sales and waste treatment operations	971,571	62.9%	835,915	66.1%
Construction service arising from BOT arrangement	450,878	29.2%	335,678	26.5%
Finance income arising from BOT arrangement	98,686	6.4%	75,445	5.9%
Environmental hygiene services income	23,989	1.5%	18,488	1.5%
Total	<u>1,545,124</u>	<u>100.0%</u>	<u>1,265,526</u>	<u>100.0%</u>

Gross profit margin of the Group decreased from 32.0% in 2019 to 31.0% in 2020. The slight decrease was mainly due to the increase in portion of construction revenue which has lower gross profit margin.

The following table sets forth the Group's gross profit margin by nature for the year ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	Gross profit margin	Gross profit margin
Power sales and waste treatment operations	47.1%	47.6%
Construction service arising from BOT arrangement	16.7%	16.7%
Finance income arising from BOT arrangement	100.0%	100.0%
Environmental hygiene services income	19.7%	17.5%
Gross profit margin of the Group	<u>31.0%</u>	<u>32.0%</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 and administrative expenses increased by 34.5% from HK\$241.9 million in 2019 to HK\$325.4 million in 2020. It was mainly due to additional plants under operation.

Other Income

Other income mainly consisted of VAT refund, amortisation of deferred government grants, government subsidies, sales of incineration residues and others. Other income increased by 36.4% from HK\$155.3 million in 2019 to HK\$211.8 million in 2020. The increase was mainly due to the additional operating plants that were entitled to have VAT refund and VAT relief and government subsidies received due to the COVID-19.

Other Gains/Losses, Net

During the year, other net gains recorded HK\$47.8 million as compared to HK\$7.8 million net losses recorded in 2019. The increase was mainly due to increase in foreign exchange gain.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. During the year, net interest expenses increased by 66.8% from HK\$204.2 million in 2019 to HK\$340.6 million in 2020. The increase in interest expenses was due to the increase in borrowings.

Share of net profits of associates and a joint venture

During the year, share of net profit of associates and a joint venture increased by 115.8% from HK\$54.8 million in 2019 to HK\$118.2 million in 2020. It was mainly due to increase in contributions from Jianyang Canvest and Johnson.

Income Tax Expenses

Income tax expenses increased by 54.1% from HK\$129.6 million in 2019 to HK\$199.7 million in 2020. It was mainly attributable to the increase in current enterprise income tax incurred by certain operating WTE plants as a result of transiting from full tax exemption in 2019 to half tax exemption in 2020 and increase in deferred income tax as a result of the increase in construction income.

Profit Attributable to the Equity Holders of the Company

Profit attributable to the equity holders of the Company increased by 18.1% from HK\$892.6 million in 2019 to HK\$1,053.8 million in 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 year, the Group generated HK\$1,296.0 million in cash from operating projects (2019: HK\$956.6 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$3,061.5 million (2019: HK\$1,369.7 million). As a result, the total net cash used in operating activities amounted to HK\$1,765.5 million during the year (2019: HK\$413.1 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2020, the total cash and cash equivalents of the Group were HK\$1,769.6 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 31 December 2020, the Group's bank borrowings were HK\$9,180.3 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 I") 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 has been granted to the Company. The proceeds of HK\$1,938.0 million have been fully utilized for the repayment of the Loans and general working capital. On 28 September 2020, incremental proceeds of HK\$105.0 million have been fully utilized for the general working capital. As at

31 December 2020 and as at the date of this announcement, the committed incremental facility amounting to HK\$493.0 million have not been utilized. Pursuant to the Facility Agreement I, it shall constitute a mandatory prepayment event (among others) if Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung and any trust established by any of them (collectively, “the Controlling Shareholders”) collectively cease directly or indirectly to (i) have the power to (a) cast, or control the casting of, more than 35% of the maximum number of votes that might be cast at a general meeting of the Company; (b) appoint or nominate a larger number of seats on the board of directors of the Company than any other person or group; or (c) exercise the management control of the Company; (ii) hold beneficially at least 35% of the issued share capital of the Company; or (iii) be collectively the single largest shareholder of the Company. Please refer to the announcement of the Company dated 17 July 2020 for further details.

On 23 November 2020, the Company (as borrower) entered into a facility agreement (the “Facility Agreement II”) with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$390.0 million due to expire in July 2023 has been granted to the Company. As at 31 December 2020 and as at the date of this announcement, the proceeds of HK\$390.0 million have been drawn down and will use for the Group’s capital expenditure and general working capital. Pursuant to the Facility Agreement II, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 23 November 2020 for further details.

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.

As at 31 December 2020, net asset of the Group was HK\$7,419.4 million (31 December 2019: HK\$6,022.7 million). The increase in net asset was mainly attributable to the profit generated during the year.

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

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Portion of term loans due to repayment after one year		
— secured	8,357,650	4,561,520
Portion of term loans due for repayment within one year		
— secured	822,634	735,437
Revolving loan due for repayment within one year		
— unsecured	—	80,000
	<u> </u>	<u> </u>
Total bank borrowings	<u>9,180,284</u>	<u>5,376,957</u>

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2020, the gearing ratio was 61.0% (31 December 2019: 55.3%).

As at 31 December 2020, the Group had banking facilities (including committed portion of Facility Agreement I) in the amount of HK\$13,932.1 million, of which HK\$4,706.1 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 year ended 31 December 2020, the total cost of borrowings of the Group was HK\$398.8 million (2019: HK\$236.1 million), representing an increase of HK\$162.7 million. The increase was due to the interest expenses in relation to the increase in borrowings. Effective interest rate ranged from 2.93% to 8.00% for the year ended 31 December 2020 (2019: 3.68% to 6.65%).

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 31 December 2020, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$2,848.8 million (31 December 2019: HK\$4,457.0 million) and its capital commitment contracted for but not yet provided for in the consolidated financial statement in relation to construction cost for BOT amounted to HK\$4,650.7 million (31 December 2019: HK\$1,504.3 million), acquisition of subsidiaries amounted to nil (31 December 2019: HK\$29.0 million), and capital injection to associates and a joint venture amounted to HK\$175.3 million (31 December 2019: HK\$206.5 million).

Significant Investments, Material Acquisition and Disposal of Subsidiaries, Plans 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\$4.6 million) and through capital injection of RMB14.2 million (equivalent to HK\$16.4 million) into Xiangyun Shengyun. 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.

On 18 December 2020, Kewei entered into an equity transfer agreement with Guangdong Deji Environment Development Company Limited (廣東德濟環境發展有限公司), pursuant to which Kewei agreed to dispose of 59.5% equity interest in Canvest Guoye Environmental Investment (Guangdong) Company Limited (粵豐國業環保投資(廣東)有限公司) ("Canvest Guoye") at a consideration of RMB30.2 million (including reimbursements) (equivalent to approximately HK\$35.9 million). Canvest Guoye owns a concession right to construct a plant to process industrial waste at Jieyang Dananhai Petrochemical Industrial Park, Jieyang City, Guangdong Province. The disposal has not been completed as at the date of this announcement. Upon completion of the disposal, Canvest Guoye will no longer be a subsidiary of our Group.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the year ended 31 December 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 year ended 31 December 2020, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$2,319.5 million (2019: HK\$1,740.8 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 31 December 2020, the Group provided a guarantee of RMB32.3 million (approximately HK\$38.4 million) for bank loans of Dongguan Xindongqing (31 December 2019: Nil).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 31 December 2020, the Group provided a guarantee of RMB90.0 million (approximately HK\$106.9 million) for bank loans of Zhongzhou Environmental (31 December 2019: N/A).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2020.

Pledge of Assets

As at 31 December 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\$10,232.1 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 year ended 31 December 2020, the rent paid by the Group to Yue Xing was HK\$7.0 million (2019: HK\$6.6 million). Please refer to the announcement of the Company dated 12 July 2018 for further details.

Human Resources

As at 31 December 2020, the Group employed a total of 3,404 employees, 63 of them were at management level. By geographical locations, it had 3,377 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 year ended 31 December 2020 were HK\$350.6 million (2019: HK\$304.4 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 the Balance Sheet Date

- (a) In January 2021, the Group has entered into an agreement in relation to the WTE plant project located in Changning City, Hunan Province with Urban Management and Law Enforcement Bureau of Changning City. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The Changning WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 600 tonnes and phase 2 shall be 400 tonnes. This project is under planning.
- (b) In February 2021, the Group was conditionally awarded the WTE plant project located in Huizhou City, Guangdong Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The project is in the planning stage.
- (c) In January 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interests of Anhui Xinlibo Car Park Management Services Company Limited from an independent third party at a consideration of RMB300,000. Xinlibo owns the management rights of certain carparks located in Tongling City, Anhui Province. The transaction has been completed in February 2021.

Dividends

During the year, the Company declared an interim dividend of HK3.7 cents per ordinary share. (2019: HK3.2 cents). The Board has proposed the payment of a final dividend of HK4.9 cents (2019: HK4.1 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the annual general meeting (“AGM”) of the Company to be held on Friday, 18 June 2021, the proposed final dividend is expected to be paid on Friday, 16 July 2021 to Shareholders whose names appear on the register of members of the Company on Monday, 28 June 2021.

Closure of Register of Members

To determine the identity of Shareholders who are entitled to attend and vote at the 2021 AGM

Latest time for lodging transfer : 4:30 p.m. on Friday, 11 June 2021
documents of shares
Period of closure of register of : Tuesday, 15 June 2021 to Friday, 18 June 2021
members (both dates inclusive)

To determine the shareholders’ entitlement to the final dividend

Ex-entitlement date for final : Tuesday, 22 June 2021
dividend
Latest time for lodging transfer : 4:30 p.m. on Wednesday, 23 June 2021
documents of shares
Period of closure of register of : Thursday, 24 June 2021 to Monday, 28 June 2021
members (both dates inclusive)
Record date : Monday, 28 June 2021

To qualify for attending and voting at the 2021 AGM and/or entitlement to the final dividend, all properly completed transfer forms accompanied by the 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 the corresponding latest time for lodging transfer documents of Shares.

Annual General Meeting

The 2021 AGM will be held on Friday, 18 June 2021. Notice of the 2021 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

Public Float

Based on the information that is available to the Company and to the best knowledge and belief 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 year ended 31 December 2020 and as at the date of this announcement.

Audit Committee

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2020, reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, reviewed the continuing connected transaction and discussed internal controls and financial reporting matters.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Compliance with the Corporate Governance Code

During the year ended 31 December 2020, the Company has complied with the code provisions set out in 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 year ended 31 December 2020.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

Publication of Annual Results and Annual Report

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 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, 23 March 2021

GLOSSORY

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 or Machong	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
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

Jianyang or Jianyang Canvest	Jianyang 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
Jingjiang	Jingjiang Canvest Environmental Power Company Limited** (靖江粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
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) and 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
Linfen	Linfen Canvest Environmental Power Company Limited** (臨汾粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Liping	Qiandongnanzhou Liping Canvest Environmental Power Company Limited** (黔东南州黎平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

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
Mancheng	Baoding Canvest Environmental Power Company Limited** (保定粵豐科維環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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 (清遠市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
Ruili	Dehong Canvest Environmental Power Company Limited** (德宏粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaoguan	Shaoguan Canvest Environmental Power Company Limited** (韶關粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
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
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 and an indirect wholly-owned subsidiary of the Company

Xinfeng	Xinfeng Canvest Environmental Power Company Limited (formerly known as “Jiangxi Xinfeng Kunyue 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
Xinlibo	Anhui Xinlibo Car Park Management Services Company Limited** (安徽信立泊停車場管理服務有限公司), a company incorporated in the PRC with limited liability and an indirect non-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	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 or 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 and the Group holds 40% equity interest of it

% 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*