



# 粵豐環保電力有限公司

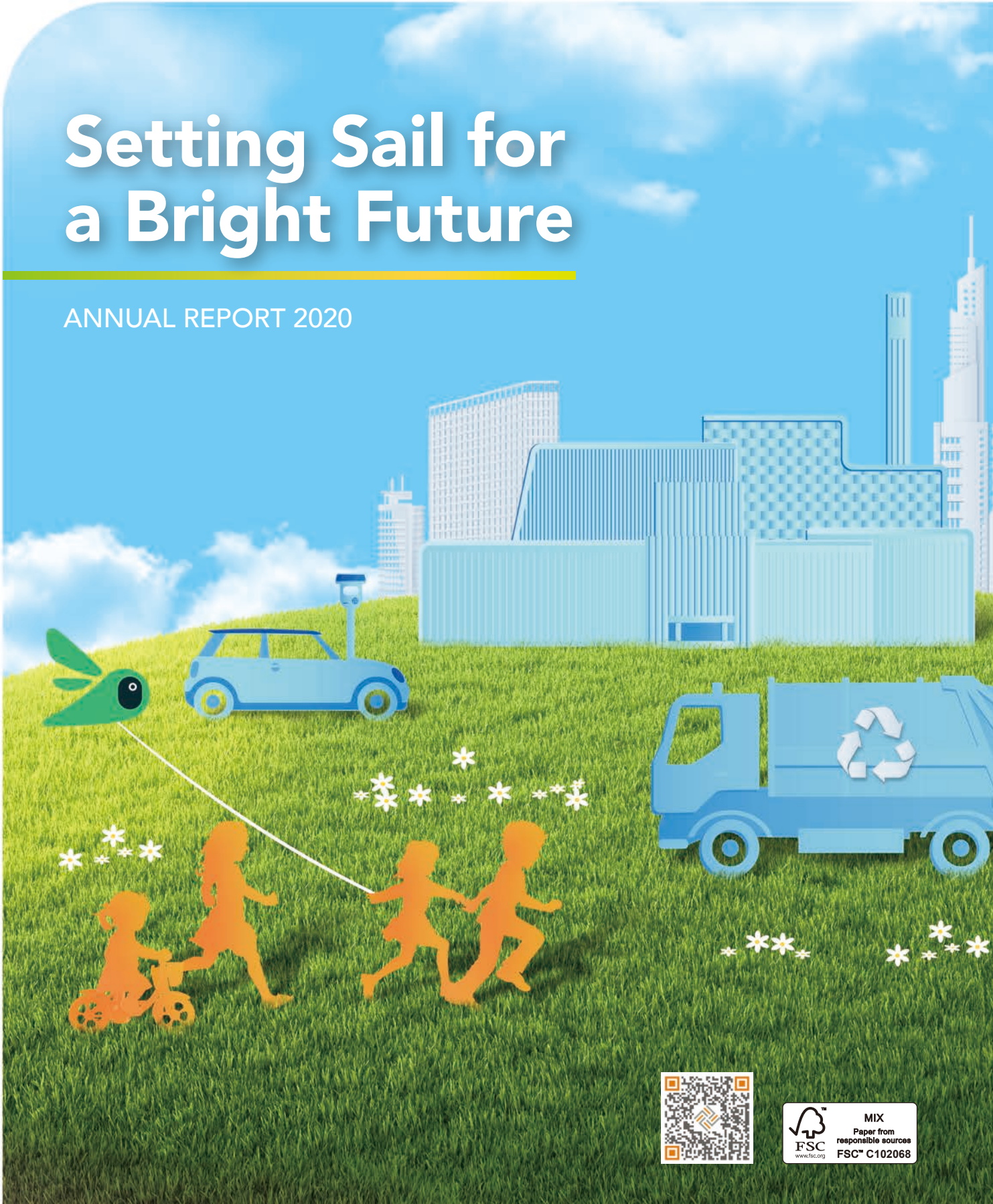
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

# Setting Sail for a Bright Future

ANNUAL REPORT 2020



# CORPORATE PROFILE

Canvest Environmental Protection Group Company Limited is a leading integrated urban environmental protection and sanitation solution provider, focusing on WTE and the provision of intelligent urban environmental hygiene and related services. As at 23 March 2021, the Group has 34 WTE projects, and a number of these projects have been awarded “Grade AAA Innocuous Waste Incineration Plant”, the highest ranking in the grading system. Going forward, Canvest will continue to develop its WTE business and capture new opportunities related to integrated smart city management services.

The Company was listed on the Main Board of Hong Kong Stock Exchange in December 2014, and has been selected as:

- One of the **eligible stocks** included in **Southbound trading through Shenzhen-Hong Kong Stock Connect**
- a constituent of the following indexes:
  - Hang Seng Global Composite Index
  - Hang Seng Composite Index
  - Hang Seng Composite Industry Index — Utilities
  - Hang Seng Composite SmallCap Index
  - **Hang Seng Stock Connect Greater Bay Area Composite Index**
  - **Hang Seng Stock Connect Greater Bay Area Hong Kong Index**
  - **Hang Seng Stock Connect Greater Bay Area New Economy Index**



# CONTENTS

<b>2</b>	Financial Highlights
<b>3</b>	Projects Overview
<b>6</b>	Corporate Milestones
<b>8</b>	MSW Processing and WTE Process
<b>10</b>	Chairlady's Statement
<b>14</b>	Management Discussion and Analysis
<b>30</b>	Corporate Governance Report
<b>43</b>	Directors' and Senior Management's Profile
<b>47</b>	Report of the Directors
<b>61</b>	Independent Auditor's Report
<b>67</b>	Consolidated Statement of Profit or Loss
<b>68</b>	Consolidated Statement of Comprehensive Income
<b>69</b>	Consolidated Balance Sheet
<b>71</b>	Consolidated Statement of Changes in Equity
<b>73</b>	Consolidated Statement of Cash Flows
<b>75</b>	Notes to the Consolidated Financial Statements
<b>148</b>	Financial Summary
<b>150</b>	Corporate Information
<b>153</b>	Glossary

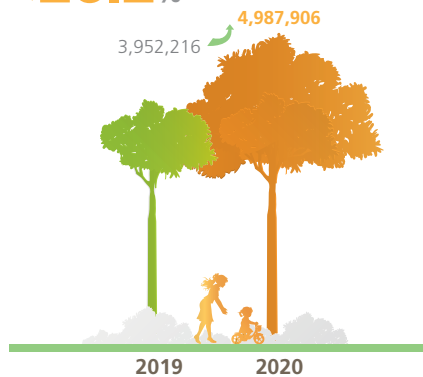


## FINANCIAL HIGHLIGHTS

### Revenue

(for the year ended 31 December)  
HK\$'000

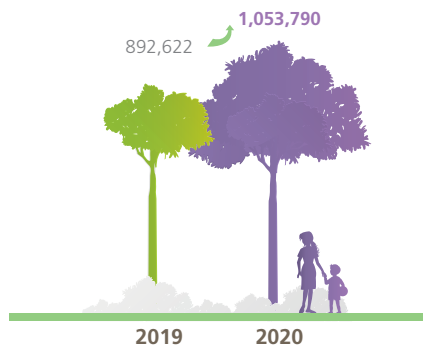
↑ **26.2%**



### Profit attributable to equity holders of the Company

(for the year ended 31 December)  
HK\$'000

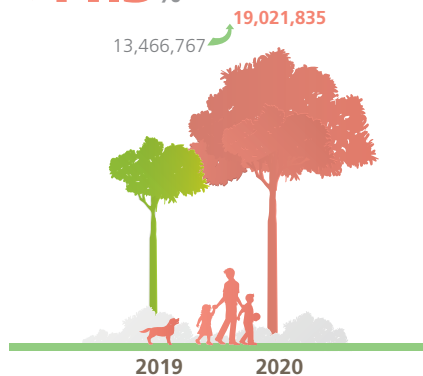
↑ **18.1%**



### Total assets

(as at 31 December)  
HK\$'000

↑ **41.3%**



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS, DIVIDEND AND CASH GENERATED FROM OPERATING PROJECTS

For the year ended 31 December

	2020	2019	Change
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%
Total dividend per Share (HK cents)*	8.6	7.3	+17.8%
Cash generated from operating projects (HK\$'000)**	1,295,956	956,634	+35.5%

\* including proposed final dividend for the year ended 31 December 2020 of HK4.9 cents (2019: HK4.1 cents) per Share

\*\* Non-HKFRS measures

## CONSOLIDATED BALANCE SHEET HIGHLIGHTS

As at 31 December

	2020	2019	Change
Total assets (HK\$'000)	19,021,835	13,466,767	+41.3%
Total liabilities (HK\$'000)	11,602,414	7,444,060	+55.9%
Included: Total bank borrowings (HK\$'000)	9,180,284	5,376,957	+70.7%
Equity attributable to equity holders of the Company (HK\$'000)	7,134,606	5,823,267	+22.5%
Total liabilities / total assets	61.0%	55.3%	+5.7 pts

# PROJECTS OVERVIEW

Total Operating,  
Secured and Announced  
Daily MSW Processing  
Capacity

**51,140** Tonnes

(as at 23 March 2021)



- A** cleaning and waste management services provided by Sichuan Jiajieyuan
- B** environmental hygiene service provided by Johnson
- C** fly ash landfill service provided by Dongguan Xindongyue
- D** treatment of bottom ash service provided by Zhongzhou Environmental
- E** Smart car parking service provided by Xinlibo

	Number of Projects	Daily Processing Capacity (tonnes)
Guangdong	16	25,240
Guangxi	2	2,550
Guizhou	2	2,250
Hebei	1	1,000
Hunan	1	1,000
Jiangsu	2	2,050
Jiangxi	1	800
Liaoning	1	2,250
Shandong	2	3,000
Shanghai	1	3,800
Shanxi	2	2,200
Sichuan	1	3,000
Yunnan	2	2,000
<b>Total</b>	<b>34</b>	<b>51,140</b>

## PROJECTS OVERVIEW

		Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status	
Guangdong	1	Eco-Tech I WTE plant	Dongguan	1,800 tonnes	36MW	RMB110/tonne	In operation
	2	Eco-Tech II WTE plant	Dongguan	1,500 tonnes	50MW	RMB110/tonne	In operation
	3	Kewei WTE plant	Dongguan	1,800 tonnes	30MW	RMB110/tonne	In operation
	4	China Scivest I WTE plant	Dongguan	1,800 tonnes	42MW	RMB110/tonne	In operation
	5	China Scivest II WTE plant	Dongguan	1,200 tonnes	36MW	RMB110/tonne	In operation
	6	Machong WTE plant	Dongguan	2,250 tonnes	80MW	RMB110/tonne	Under construction
	7	Zhanjiang WTE plant	Zhanjiang	1,500 tonnes	30MW	RMB81.8/tonne	In operation
	8	Qingyuan WTE plant	Qingyuan	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	50MW	RMB88/tonne	Under construction
	9	Zhongshan I WTE plant	Zhongshan	1,040 tonnes	24MW	RMB93.61/tonne	In operation
	10	Zhongshan II WTE plant	Zhongshan	2,250 tonnes	70MW	RMB93.61/tonne	Planning
	11	Lufeng WTE plant	Lufeng	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	RMB91.5/tonne	Phase 1: In operation Phase 2: Planning
	12	Xinyi WTE plant	Xinyi	950 tonnes	24MW	RMB79/tonne	In operation
	13	Xuwen WTE plant	Xuwen	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	RMB80.5/tonne	In operation
	14	Dianbai WTE plant	Maoming	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: 25MW	RMB89.5/tonne	Phase 1: In operation Phase 2: Planning
	15	Shaoguan WTE plant	Shaoguan	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB88.88/tonne	Phase 1: In operation Phase 2: Planning
	16	Huizhou WTE plant	Huizhou	1,000 tonne	Planning	RMB110/tonne	Planning
Guangxi	17	Laibin WTE plant	Laibin	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	RMB95/tonne	Phase 1: In operation Phase 2: Planning
	18	Beiliu WTE plant	Beiliu	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB83/tonne (Calculated on weighted average basis)	In operation
Guizhou	19	Xingyi WTE plant	Xingyi	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB80/tonne	In operation
	20	Qiandongnan Prefecture South Area WTE plant	Liping	Phase 1: 700 tonnes Phase 2: 350 tonnes	15MW	RMB66.8/tonne	Planning
Shandong	21	Zaozhuang WTE plant	Zaozhuang	Phase 1: 1,000 tonnes Phase 2: 800 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB49/tonne (Under negotiation)	In operation
	22	Shen County WTE plant	Shen County, Liaocheng	Phase 1: 700 tonnes Phase 2: 500 tonnes	15MW	RMB70/tonne	Planning
Shanghai	23	Baoshan WTE plant	Shanghai	3,800 tonnes	126MW	Under negotiation	Under construction
Jiangsu	24	Jingjiang WTE plant	Jingjiang	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 7.5MW	RMB67.8/tonne	Under construction
	25	Taizhou WTE plant	Taizhou	850 tonnes	18MW	RMB79.9/tonne	Planning
Sichuan	26	Jiayang WTE plant	Jiayang	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	RMB65.95/tonne	Phase 1: In operation Phase 2: Planning



## PROJECTS OVERVIEW

		Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status
Yunnan	27	Ruili WTE plant	Ruili Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: Planning	RMB75/tonne	Phase 1: Under construction Phase 2: Planning
	28	Xiangyun WTE plant	Xiangyun 1,000 tonnes	18MW	RMB56.8/tonne	Planning
Hebei	29	Mancheng WTE plant	Mancheng Phase 1: 500 tonnes Phase 2: 500 tonnes	24MW	RMB76.8/tonne	Under construction
Shanxi	30	Linfen WTE plant	Linfen Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB72.6/tonne	Under construction
	31	Hunyuan WTE plant	Hunyuan Phase 1: 500 tonnes Phase 2: 500 tonnes	Phase 1: 9MW Phase 2: 9MW	RMB57.5/tonne	Planning
Liaoning	32	Yingkou WTE plant	Yingkou Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 30MW Phase 2: 15MW	RMB66/tonne	Phase 1: Under construction Phase 2: Planning
Hunan	33	Changning WTE plant	Changning Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: Planning	RMB61.8/tonne	Planning
Jiangxi	34	Xinfeng WTE plant	Xinfeng Phase 1: 400 tonnes Phase 2: 400 tonnes	15MW	RMB70/tonne	In operation



## CORPORATE MILESTONES

### Q1 2020

- Entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun. It was awarded the concession rights of Xiangyun WTE plant located in Xiangyun, Dali Bai Autonomous Prefecture, Yunnan Province
- Awarded the concession rights in relation to Yingkou WTE project
- Support local communities to combat against pandemic caused by COVID-19 by donating protective supplies and providing financial support to those in need, as well as providing timely treatment of non-hazardous medical waste under full supervision by professionals
- Xinyi WTE plant commenced trial operation



### Q2 2020

- Phase 1 of Dianbai WTE plant commenced trial operation



### Q3 2020

- Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region
- 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
- Awarded the concession right in relation to Taizhou WTE project
- Awarded the concession right in relation to Hunyuan WTE project





## CORPORATE MILESTONES

Q4  
2020

- Zaozhuang WTE plant commenced trial operation
- Phase 1 of Shaoguan WTE plant commenced trial operation
- Xuwen WTE plant commenced trial operation
- Phase 1 of Jianyang WTE plant commenced trial operation
- 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)

Q1  
2021

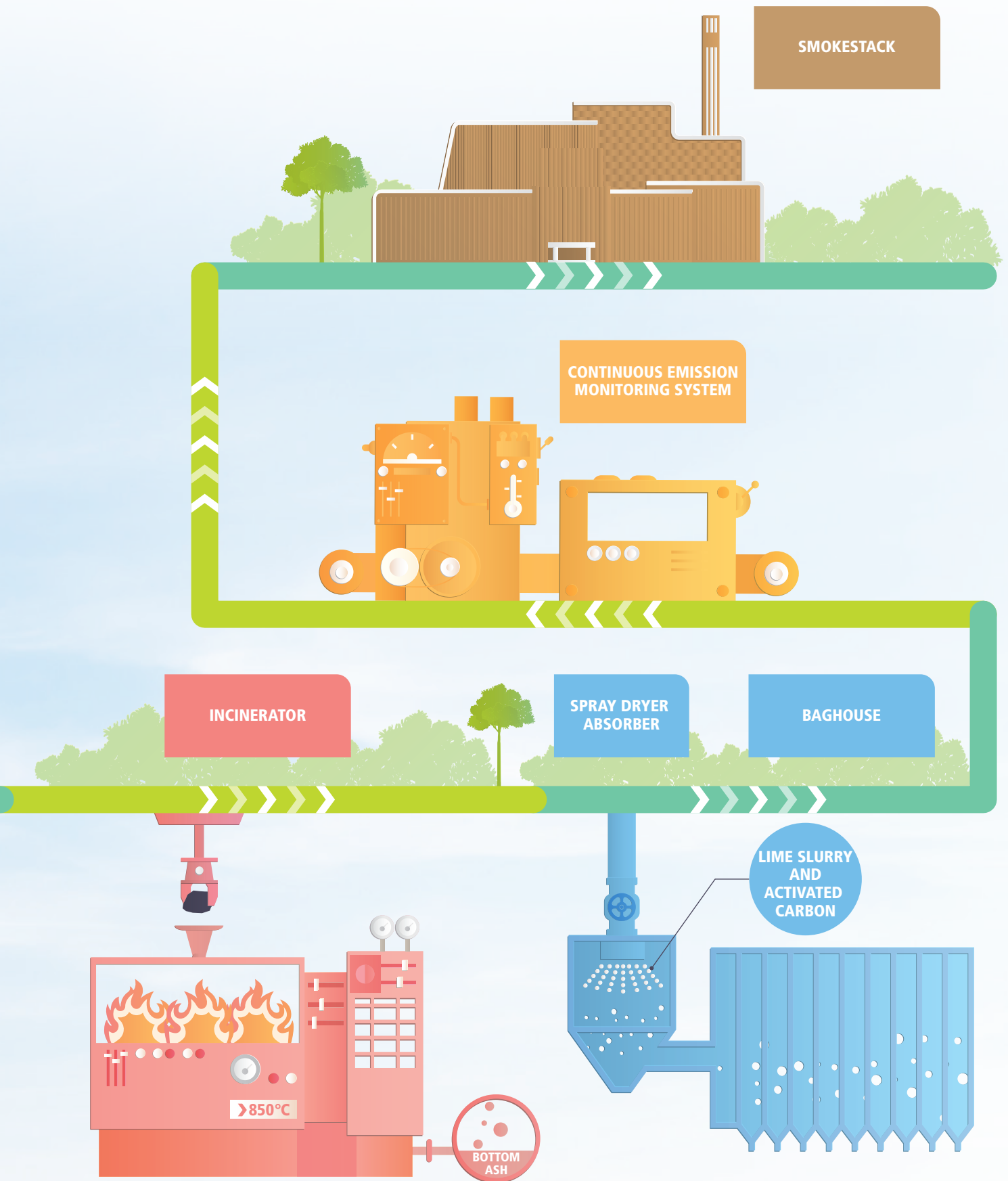
- Awarded the concession right in relation to Changning WTE project
- Awarded the concession right in relation to Huizhou WTE project
- Entered into an agreement in relation to the acquisition of 70% equity interests in Xinlibo. Xinlibo owns the management rights of certain carparks located in Tongling City, Anhui Province
- Sichuan Jiajieyuan was awarded the MSW transportation contract in Xinyi City, Guangdong Province
- Entered into an agreement in relation to the acquisition of 70% equity interest in Yanxin. Yanxin owns the managements of certain carparks located in Yu County, Hebei Province



# MSW PROCESSING AND WTE PROCESS



### MSW PROCESSING AND WTE PROCESS





# CHAIRLADY'S STATEMENT



## CHAIRLADY'S STATEMENT

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.

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.

## 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.



## CHAIRLADY'S STATEMENT

### 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 annual report, 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.

## CHAIRLADY'S STATEMENT

### 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

**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.**





# MANAGEMENT DISCUSSION AND ANALYSIS



## 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 annual report, our business operations were not materially affected by the COVID-19 pandemic, and no suspension to the operating projects. 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 annual report, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 annual report, 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 annual report.

The following table sets forth the breakdown of the daily MSW processing capacity by regions as at the date of this annual report:

	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
<b>Total</b>	<b>34</b>	<b>51,140</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

		Year ended 31 December	
		2020	2019
Southern China Region	<b>Guangdong Province</b>		
	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
	<b>Guangxi Zhuang Autonomous Region</b>		
	Processed MSW (tonnes)	850,450	818,154
	Power generated (MWh)	298,244	277,240
	Power sold (MWh)	261,791	242,427
	<b>Guizhou Province</b>		
Processed MSW (tonnes)	423,408	419,537	
Power generated (MWh)	154,372	142,573	
Power sold (MWh)	128,964	118,427	
Eastern China Region	<b>Shandong Province</b>		
	Processed MSW (tonnes)	134,593	—
	Power generated (MWh)	34,236	—
Power sold (MWh)	30,084	—	
Central China Region	<b>Jiangxi Province</b>		
	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. A concession agreement in relation to Zhongshan II WTE plant was entered in March 2021. Please refer to the announcement of the Company dated 30 March 2021 for further details.

## MANAGEMENT DISCUSSION AND ANALYSIS

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. Please refer to the announcement of the Company dated 6 January 2020 for further details.

### *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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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	
	HK\$'000	%	HK\$'000	%
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	2,705,275	54.2%	2,014,086	51.0%
Finance income	98,684	2.0%	75,445	1.8%
Environmental hygiene services income	121,698	2.4%	105,775	2.7%
<b>Total</b>	<b>4,987,906</b>	<b>100.0%</b>	<b>3,952,216</b>	<b>100.0%</b>

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

	Year ended 31 December			
	2020		2019	
	HK\$'000	%	HK\$'000	%
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%
<b>Total</b>	<b>4,987,906</b>	<b>100.0%</b>	<b>3,952,216</b>	<b>100.0%</b>

#### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Power sales and waste treatment operations	971,571	62.9%	835,915	66.1%
Construction service	450,880	29.2%	335,678	26.5%
Finance income	98,684	6.4%	75,445	5.9%
Environmental hygiene services income	23,989	1.5%	18,488	1.5%
<b>Total</b>	<b>1,545,124</b>	<b>100.0%</b>	<b>1,265,526</b>	<b>100.0%</b>

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	16.7%	16.7%
Finance income	100.0%	100.0%
Environmental hygiene services income	19.7%	17.5%
<b>Gross profit margin of the Group</b>	<b>31.0%</b>	<b>32.0%</b>

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income

Other income mainly consisted of VAT refund, amortisation of deferred government grants, government subsidies, sales of bottom ash 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***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 annual report, 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 annual report, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
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
<b>Total bank borrowings</b>	<b>9,180,284</b>	<b>5,376,957</b>

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).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Pledging of shares by Controlling Shareholders

As at 31 December 2020, the Controlling Shareholders have not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

### Significant Investments, Material Acquisition and Disposal of Subsidiaries, Plans for Significant Investment or Acquisition of Material Capital Assets in the Future

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 annual report. 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 annual report, there were no other material investments or additions of capital assets authorised by the Board at the date of this annual report. Generally, significant investment and material acquisition will be funded by internal resources or bank borrowings.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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.

### 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.

### Tax relief and exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Assistance and guarantees to affiliated companies by the Company

As at 31 December 2020, the Company had not provided any financial assistance and guarantees to affiliated companies which is subject to disclosure requirement under Rule 13.22 of the Listing Rules.

### Advance to an entity provided by the Company

As at 31 December 2020, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

### Update on China Scivest WTE Plant

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the year ended 31 December 2020, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

### 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.
- (d) In March 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interests of Yanxin Smart Parking (Shenzhen) Company Limited ("Yanxin") from an independent third party at a consideration of RMB6,100,000. Yanxin owns the management rights of certain carparks located in Yu County, Hebei Province. At the date of this annual report, the transaction has not been completed.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRINCIPAL RISK AND UNCERTAINTIES

The Board and audit committee work with an external professional party to identify, monitor and formulate plans to mitigate potential risks and uncertainties that materially affect the business of the Group.

Major identified risks and uncertainties are listed as follows:

Risk	Nature
<b>Strategy</b>	
"Not-In-My-Backyard" phenomenon	The public's misunderstanding over WTE industry, and poor environmental performance of peers and business partners might adversely affect the business development of the Group.
Changes in government subsidies/tax incentives policies	The revenue and profitability of the Group from power sales may be affected by any change to national policies of subsidized electricity tariffs for WTE plants. Besides, if the government reduces tax incentives for the environmental protection industry in the future, the Group's operations, profitability and cash flows may be adversely affected. According to the concession agreement, the waste treatment fee may be adjusted accordingly, however, as the government and the Group are required to assess the extent of fee adjustments, the Group may continue to be exposed to the risk of decreasing revenue caused by the failure to adjust the waste treatment fee in a timely and appropriate manner.
Market competition	In line with the increasingly intensified competition in the industry, the Group will face greater challenges in obtaining new projects, which will pose a downward pressure on the Group's tender quotations and in return will affect its profit margin. When failing to offer competitive prices, the Group may not secure contracts, which may have a negative impact on its profitability and operations.
Business expansion	The inadequacy of assessment and investigations prior to commencement of a new business leads to an insufficient understanding of the local conditions, which may therefore result in the risk of losses in revenue and investment cost, and cause material impacts on the Group's development. A failed strategic planning may materially affect the Group's long-term development and revenue.
<b>Compliance</b>	
Environmental protection	In line with a growing public awareness of environmental protection and the government's increasing emphasis on environmental protection, the government introduces more stringent national policies, laws and regulations in related to environmental protection. The Group will be subject to administrative penalties if it fails to meet the requirements of environmental laws and regulations or upon occurrence of environmental pollution incidents. At the same time, in light of the increasingly improved relevant environmental protection standards, the Group will subsequently increase its spendings in environmental protection with higher operating costs.
Compliance with the Listing Rules and other relevant laws	In addition to compliance with the Listing Rules, the Group is required to comply with various regulations in the PRC and Hong Kong, such as environmental protection, labour-related and relevant tax laws. Failure to comply with the Listing Rules and other relevant laws may result in damages to the Group's corporate image and expose it to the risks of investigation, operational disruption, suspension and director liability.

## MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Nature
<b>Operation</b>	
Non-compliant suppliers/ contractors	If the contractor fails to complete the construction work on time, or the construction work fails to meet the contractual requirements, the Group may be unable to fulfil the requirements under concession agreement, thereby affecting its reputation, quality of service and the necessity for additional costs. If suppliers fail to effectively ensure the quality of daily operating materials (e.g. environmental materials) or supply products in a timely manner, or the Group fails to select appropriate suppliers, the risk of failing to meet customers' expectations may increase, which may affect the Group's reputation and quality of service.
Recruitment	The WTE industry is a multidisciplinary and knowledge-intensive industry with a higher demand for technical and management talents. If the progress of training of in-house talents or the introduction of external talents fail to keep pace with the Group's expansion scale, coupled with the insufficient talent pool available in the market, the operation schedule of new projects may be affected.
Health and safety	The Group's operations may result in air emission and noise, and accidents may happen to our employees during their operation of machinery. The Group is exposed to claims risks for work-related accidents and injuries and public liability for physical injuries and property damages, which may have an impact on the Group's reputation and finances.
Infectious disease	The novel coronavirus pandemic causing severe impacts on the workforce and economy of the world and mainland China. If there is a material adverse change in the trend of this outbreak or if we encounter another major outbreak in subsequent operations, it may have an adverse impact on the Group's operations and results. If our employees are infected with the novel coronavirus, the Group's services may be affected and there is a possibility of service disruption.
Technological changes	New WTE technologies and even more advanced waste treatment technologies may emerge in the future, in which case, where the Group fails to acquire the relevant technologies in a timely manner, the Group's market position and profitability will be adversely affected, and may even expose the Group to the threat of substitution.
<b>Finance</b>	
Cash management/liquidity	The Group's strategic planning and business expansion depends on cash flow. Failure to effectively monitor cash flow may result in disruption to the Group's daily operations, as well as its ability to pay suppliers and creditors and fulfill customer service contracts, an increase in finance costs, a decline in the credit rating, or a default in payment of staff cost, all of which may ultimately affect the Group's ability to operate on an ongoing basis.
Budgeting, reporting and disclosure	If the Group fails to prepare financial reports and annual budgets, including incomplete and/or inaccurate information regarding forecasts and planning, the management may make inappropriate conclusions and decisions due to lack of complete and/or accurate financial information and business planning information. Failure to disclose information regarding financial reports in a timely, complete, and accurate manner may expose the Group to penalties from regulatory authorities and impair the financial position of the Group.

In mitigation of identified risks, the Group actively assesses the effect of changes in situation and works closely with internal and external parties to ensure proper preventive actions to avoid or mitigate their adverse impacts.

## CORPORATE GOVERNANCE REPORT

The Company pursues good corporate governance practices and procedures, and considers them crucial in maintaining and building our brand, maximizing the profit of the Group and enhancing the long-term benefits for the Group as well as its Shareholders. As such, the Company has adopted the CG Code.

Maintaining a high level of corporate governance can showcase the Group's high standard of credibility and transparency. It can strengthen the confidence of the shareholders and the public.

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

### THE BOARD

#### Role of the Board

Except for matters requiring Shareholders' approval in accordance with the constitutional documents of the Company, the Listing rules, other applicable laws and regulations, the Board, which is the ultimate decision making body of the Company, directs and approves the overall strategies of the Group.

#### Board composition

During the year ended 31 December 2020 and up to the date of this annual report, the Board comprises the following directors:

Name of Directors	Title	Appointment Date
Lee Wing Yee Loretta	Executive Director and Chairlady	28 January 2014
Lai Kin Man	Executive Director and Deputy Chairman	10 February 2014
Yuan Guozhen	Executive Director and Chief Executive Officer	24 September 2014
Lai Chun Tung	Executive Director	24 September 2014
Feng Jun	Non-executive Director	31 March 2017
Lui Ting Cheong Alexander	Non-executive Director	24 September 2014
Sha Zhenquan	Independent Non-executive Director	7 December 2014
Chan Kam Kwan Jason	Independent Non-executive Director	7 December 2014
Chung Wing Yin	Independent Non-executive Director	7 December 2014
Chung Kwok Nam	Independent Non-executive Director	31 March 2017

Mr. Lai Yui ceased to be a non-executive Director of the Company with effect from 30 June 2020.

Relevant list of members of the Board has been published on the Company's website, the Hong Kong Stock Exchange's website and all corporate communications issued by the Company.

The Board is of the view that the composition of the Board and board committees can protect the interests of the shareholders and the Group.

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 43 to 45 of this annual report.

With a view to achieving a sustainable and balanced development, the Directors recognise the diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services as essential elements in supporting the attainment of its strategic objectives and its sustainable development. The Board is responsible for formulating the Group's overall strategies, making major corporate and operational decisions of the Group and presenting a clear



## CORPORATE GOVERNANCE REPORT

guidance to the senior management. The senior management are responsible for supervising and executing the Board policies and strategies, as well as provision of updates on the Group's performance to the Board to enable the Board to deliver and discharge its duties.

### **Chairlady, Deputy Chairman and Chief Executive Officer**

The Company has complied with Code J of the CG Code as the roles of the Chairlady and the Chief Executive Officer are not performed by the same individual.

The role and division of responsibilities between the Chairlady, Deputy Chairman and Chief Executive Officer were clearly defined. Ms. Loretta Lee is the Chairlady, Mr. KM Lai is the Deputy Chairman and Mr. Yuan Guozhen is the Chief Executive Officer.

The Chairlady is responsible for formulating the Group's overall strategies and making major corporate and operational decisions of the Group. She also organises the works of the Board, ensures its effectiveness and instructs the company secretary from time to time to update the Directors with the Group's development situation and latest information or provisions relating to corporate governance so that the Directors can perform their duties. Meanwhile, the Chairlady will invite the Directors to jointly attend corporate activities from time to time to promote a favourable and constructive relationship between the Directors.

The Chief Executive Officer is authorised by the Board to lead the senior management to execute the overall strategies and manage the daily operation of the Group according to the objectives and directions determined by the Board. The position of the Chairlady and Chief Executive Officer are held by separate individuals to ensure the effective segregation of duties between the management of the Board and operation.

### **Independence of the Independent Non-executive Directors**

During the year ended 31 December 2020 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. By 31 December 2020, no independent non-executive Director has served the Company for more than 9 years.

Independent non-executive Directors are responsible for supervising and providing independent judgment to the Board with a view to protect the interests of the Group and the Shareholders of the Company as a whole. Independent non-executive Directors can also vote independently on matters where executive Directors shall abstain from voting when there are potential conflict of interests between executive Directors and the matter under consideration.

### **APPOINTMENT AND RE-ELECTION AND TERMS OF NON-EXECUTIVE DIRECTORS**

Each Director, including non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a maximum period of three years and is subject to re-election.

With the adoption of the amended and restated memorandum and articles of association, Directors newly appointed by the Board are subject to re-election at the first general meeting after the appointment.

## CORPORATE GOVERNANCE REPORT

Each Director has disclosed to the Company about the names, titles and nature of his/her positions held in public companies or organisations, prior to his/her acceptance of the appointment, and undertook to inform the Company of any relevant change in a timely manner. The Company also requires Directors to submit written confirmation or update on their biographical details, if any, every year, and set out the updated biographical details of Directors, if any, in this annual report.

Pursuant to requirements of the amended and restated articles of association of the Company, not less than one third of the Board members shall retire by rotation in annual general meeting and each Director shall retire by rotation once every three years and being entitled to re-election. Both names and biographical details of Directors eligible for re-election are set out in the circular of the Company for Shareholders to make informed decisions with grounds in the election of Directors. All Directors appointed to fill a casual vacancy or additional appointment will be subject to election by Shareholders at the forthcoming general meeting after their appointments and being entitled to re-election. Appointment of Directors of the Company shall be subject to a separate resolution to be approved by Shareholders.

### TRAINING AND SUPPORT FOR DIRECTORS

The Company recognises the importance of keeping the Directors updated with latest information relating to the discharge of his/her duties as director. As such, each newly appointed Director would receive an introductory training pack. The company secretary will also provide Directors with the latest information on Listing Rules and other applicable regulatory requirements from time to time, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintain records of the trainings attended by the Directors.

In addition, the Company provides monthly operational data, financial performance and position information to the Directors. Management will provide quarterly analysis reports to the Directors to ensure all of them know the development of the Company.

Name of Directors	Title	Type of trainings
Lee Wing Yee Loretta	Executive Director and Chairlady	A
Lai Kin Man	Executive Director and Deputy Chairman	A
Yuan Guozhen	Executive Director and Chief Executive Officer	A
Lai Chun Tung	Executive Director	A
Feng Jun	Non-executive Director	A
Lui Ting Cheong Alexander	Non-executive Director	A
Sha Zhenquan	Independent Non-executive Director	A
Chan Kam Kwan Jason	Independent Non-executive Director	A
Chung Wing Yin	Independent Non-executive Director	A
Chung Kwok Nam	Independent Non-executive Director	A

A: reading materials in relation to the update of the rules and regulations, and director's duties and responsibilities

### DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2020.

## CORPORATE GOVERNANCE REPORT

### BOARD AND BOARD COMMITTEE MEETINGS

The Board meets at least four times each year and more as required. Directors may participate either in person or through electronic means of communication. The Chairlady met at least once annually with the non-executive Directors and independent non-executive Directors without the presence of the executive Directors.

Generally, the Board will determine the date of the following year's regular meetings on the last regular physical meeting during the year so as to ensure that all the Directors can schedule their respective timetable with an aim to allocate time to attend the meetings. The Company will also provide all the Directors with at least 14 working days' notice in respect of holding regular Board meetings. For other Board and Board committee meetings, notice will be given within a reasonable time. The company secretary will follow the instruction from the Chairlady to circulate the draft Board meeting agenda to all Directors for their perusal and comment 21 days before the meeting date. The Board meeting agenda will be signed and issued by the company secretary only after incorporating all comments from the Directors (if any). Meeting documents will normally be delivered to all Directors 3 days before the meeting date, so as to ensure they are fully informed before the meeting.

Any matter involving material conflict of interest of substantial shareholders or Directors shall be subject to the consideration and approval by the Board members personally attending a Board meeting, or to be implemented and dealt with by a designated Board committee. Directors who have interest may attend a meeting but shall not be counted towards the quorum and Directors who have interest shall abstain from voting on the relevant matter. All Directors can require the company secretary to provide advice and service on relevant aspects, including the follow-up of or the provision of support to any matter; ensuring the Board procedures and all applicable rules and regulations are complied with.

The management will submit relevant reports and report the content to the Directors on every quarterly Board meeting, and will also submit last month's report on relevant financial and operational data of the Group every month, and other reports required by the Board from time to time to the Directors for their perusal and comment. The management will also give detailed explanation to any enquiry made by the Directors. Therefore, the Board may make informed assessment in respect of the financial and other information submitted to them for their approval.

The meeting minutes of the Board and its committees are drafted and kept by the company secretary. All meeting minutes will set out in detail the matters considered and decisions made at the meetings, including, among others, any queries made or views expressed by the Directors. Generally, the company secretary will distribute the first draft of the meeting minutes to all the relevant attending Directors for their comment within 14 working days after the end of the meetings of the Board and its committees. Having incorporated the comments of the Directors (if any), the finalised version of the meeting minutes signed by the chairperson of such meetings will be distributed by the company secretary to all relevant attending Directors for record-keeping purpose.

Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. Independent non-executive directors and other non-executive directors, as equal board members, have given the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

The functions of non-executive directors include: (i) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (ii) taking the lead where potential conflicts of interests arise; (iii) serving on the audit, remuneration, nomination and other governance committees, if invited; and (iv) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

## CORPORATE GOVERNANCE REPORT

All the executive Directors and the independent non-executive Directors have allocated a reasonable amount of time to follow and deal with various affairs of the Company during the year and have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

During the year, the Board held a total of 4 meetings. Each Director's attendance record is set out as follow:

Name of Directors	Number of attendance/meeting held in 2020					
	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General meeting
Lee Wing Yee Loretta	4/4	—	—	—	1/1	1/1
Lai Kin Man	4/4	—	—	—	—	1/1
Yuan Guozhen	4/4	—	—	—	—	1/1
Lai Chun Tung	4/4	—	—	—	—	1/1
Feng Jun	3/4	—	—	—	—	1/1
Lui Ting Cheong Alexander	4/4	2/2	—	—	—	1/1
Sha Zhenquan	4/4	2/2	1/1	1/1	1/1	1/1
Chan Kam Kwan Jason	4/4	2/2	1/1	1/1	1/1	1/1
Chung Wing Yin	4/4	2/2	1/1	1/1	1/1	1/1
Chung Kwok Nam	4/4	—	—	—	—	1/1

### THE COMMITTEES OF THE BOARD

The Board of the Company has established 4 committees namely the audit committee, the corporate governance committee, the nomination committee and the remuneration committee. The respective chairperson and majority of the members of each of the committees are independent non-executive Directors. Terms of reference of each of the committees are published on the corporate website ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and the Hong Kong Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)), and will be amended by the Board from time to time as and when appropriate.

### AUDIT COMMITTEE

The Company has set up an audit committee in compliance with rule 3.21 of the Listing Rules. The members of the audit committee comprise Mr. Chan Kam Kwan Jason, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason.

The audit committee meets the external auditors regularly to discuss any area of concern during the audit. The audit committee shall review the interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

The primary duties of the audit committee are to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group and review and monitor the Company's compliance with the Company's whistleblowing policy.

## CORPORATE GOVERNANCE REPORT

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020.

During the year, the audit committee held 2 meetings in March and August 2020, the agenda of which is set out below:

- Reviewing annual results of 2019, annual report of 2019, interim results of 2020 and interim report of 2020;
- Reviewing audit and review works reports of the external auditor and discussing key audit matters with external auditor;
- Discussing and reviewing internal audit report and effectiveness of the internal control system;
- Reviewing the significant accounting policy and the impact of the adoption of new financial reporting standards;
- Considering the re-appointment of external auditors of the Company and its independence; and
- Reviewing the resources of accounting and financial reporting functions of the Group.

The audit committee and the Board have no disagreement in relation to the recommendation of the re-appointment of PricewaterhouseCoopers as the external auditor.

### EXTERNAL AUDITOR

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2020 AGM and there was no change of the auditors of the Company for the preceding three years. For the year ended 31 December 2020, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2020 HK\$'000	2019 HK\$'000
Fee for audit services	3,000	3,000
Fee for non-audit services	923	350

### REMUNERATION COMMITTEE

The Company has set up a remuneration committee in compliance with rule 3.25 of the Listing Rules. The members of the remuneration committee comprise Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason and Mr. Chung Wing Yin, and is chaired by Professor Sha Zhenquan.

## CORPORATE GOVERNANCE REPORT

Main duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) recommending the terms of the specific remuneration package of each executive Director and senior management to the Board; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme; (v) making recommendations to the board on the remuneration of non-executive directors; (vi) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (vii) reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (viii) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate. No Director should be involved in deciding his/her own remuneration.

During the year, the remuneration committee held a meeting in March, the agenda of which is set out below:

- Reviewing the remuneration adjustments of senior management in 2020;
- Determining the policy for the remuneration of executive Directors, confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2019; and
- Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2020.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2020 is set out below:

Remuneration	Number of persons
HK\$100,001 to HK\$1,000,000	1
HK\$1,000,001 to HK\$2,000,000	4
HK\$2,000,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$4,000,000	1

## NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference in compliance with the CG Code. The nomination committee comprise Mr. Chung Wing Yi, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason and is chaired by Mr. Chung Wing Yin.

The primary duties of the nomination committee include, but are not limited to, (i) reviewing the structure, size and diversity (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (ii) making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairlady and the chief executive officer; (iii) identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and (iv) assessing the independence of independent non-executive Directors.

## CORPORATE GOVERNANCE REPORT

### NOMINATION PROCEDURES AND PROCESS

The secretary of the nomination committee shall call a meeting of the nomination committee, and invite nominations of candidates from members of the Board if any, for consideration by the nomination committee prior to its meeting. The nomination committee may also put forward candidates who are not nominated by members of the Board.

- For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.
- For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.
- A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the Listing Rules.
- A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his or her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as may be considered relevant to his or her proposed election; and (ii) the written consent by that person to the publication of his or her personal data provided pursuant to (i) immediately above.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any reappointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the nomination committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effectiveness in carrying out the duties by the board which, in particular, are set out as follows:

- (i) participating in Board meetings to bring an independent judgment on issues of corporate strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (ii) taking the lead where potential conflicts of interests arise;
- (iii) serving on the audit committee, the remuneration committee and the nomination committee (in the case of candidate being a non-executive Director) and other relevant Board committees, if invited;
- (iv) bringing a range of business and financial experience to the Board or any other committees by his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board meetings or meetings of any committees;

## CORPORATE GOVERNANCE REPORT

- (v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- (vi) ensuring that the nomination committee on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director as required under rule 3.10(2) of the Listing Rules.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy, which sets out the approach to achieve diversity of the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the board diversity policy to the nomination committee of the Company. The nomination committee will discuss and review the necessity to set any measurable objectives for implementing the board diversity policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The nomination committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

The current Board composition was also evaluated to, among other things, the age, gender, cultural and educational background and professional experience of each Directors against the Company's business model and specific needs.

An analysis of the current Board composition is set out in the following chart:

	Number of Director									
	1	2	3	4	5	6	7	8	9	10
Gender	Female	Male								
Designation	Executive Directors				Non-executive Directors		Independent Non-executive Directors			
Age Group	40-45		45-50			51-60		61-70		
Skill/Experience	Experience in project development and general management				Extensive experience in securities and investment industry		Extensive experience in accounts and financial services		Qualified lawyer	
Length of Services	Less than 4 years		Less than 6 years					Less than 7 years		



## CORPORATE GOVERNANCE REPORT

During the year, the nomination committee held a meeting in March and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Mr. Yuan Guozhen, Mr. CT Lai, Professor Sha Zhenquan and Mr. Chung Wing Yin, and advising the Board on the re-election of such retiring Directors at the 2021 AGM. Also, the nomination committee reviewed the structure, size and composition of the Board and assessed the independence of independent non-executive Directors.

### CORPORATE GOVERNANCE COMMITTEE

The members of the corporate governance committee comprise Mr. Chan Kam Kwan Jason, Ms. Loretta Lee, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason.

The corporate governance functions are performed by the corporate governance committee, which was delegated by the Board. The corporate governance functions are (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; (iv) to develop and review the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters; (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and (vi) to consider any other topics as determined by the Board.

During the year, the corporate governance committee held a meeting in March and the agenda was mainly to determine the policy for the corporate governance, to review the training record of the Directors and compliance with the CG Code and disclosure in the Corporate Governance Report.

### RISK MANAGEMENT AND INTERNAL CONTROL

In view of the inevitable nature of certain risks associated with our business and industry, our risk management and internal control systems are designed to manage rather than eliminate unavoidable risks of failure to achieve the Group's business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board is responsible for formulating proper internal control and risk management systems for the Group, and reviewing its effectiveness annually. The system of internal controls covers the areas of financial, accounting, operational, compliance and risk management of the Group's business. During the year, the Board reviewed the effectiveness of the internal control and risk management system and considered it is effective and adequate. The internal audit department of the Group works with the external professional consultancy company accountable and reports directly to the audit committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and senior management in complying with the regulatory requirements and guidelines, reviewing the continuing connected transaction of the Group, so as to improve the efficiency of the internal control system. Through continuous internal audit and reporting from time to time, the internal audit department will ensure the effective operation of the internal control system.

During the year, the audit committee reviewed and discussed the reports submitted by the internal audit department and external professional consultancy company and reported the results to the Board. Should any material fault or any material weakness in monitoring be found, the internal audit department and external professional consultancy company will report the same to the audit committee in timely manner. During the year, the audit committee and the Board, with the confirmation by the management as to the effectiveness of the system for the year ended 31 December 2020, considered that the internal control system of the Group worked effectively.

## CORPORATE GOVERNANCE REPORT

For risk management, the Board and the audit committee will review the Group's finance, operation and compliance, and risk management corresponding to the changes in its business and to cope with by discussing and formulating strategies, or measures. During the year, the audit committee also reviewed the risk management policy and the risk management report and reported the same to the Board.

### PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made;
- the Group strictly prohibits unauthorised use of confidential or inside information;
- the Group has also implemented procedures to guard against possible mishandling of inside information within the Group including pre-clearance on dealing in the securities of the Company by designated Directors and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees; and
- the Group keeps the Directors and employees apprised of the latest regulatory updates on disclosure requirements of inside information.

### DIRECTORS RESPONSIBILITY IN FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### COMPANY SECRETARY

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 46 of this annual report.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

Pursuant to article 12.3 of the amended and restated articles of association, general meetings of the Company shall be convened on the written requisition of any two or more Shareholders of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Pursuant to section 615 of the Companies Ordinance, Shareholders may request the Company to move a resolution at the annual general meeting. The request should be sent to the Company in hard copy form or in electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person or persons making it and must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate or (ii) if later, the time at which notice is given of that meeting and made by:

- (a) the Shareholders representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or
- (b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

Shareholder(s) who wishes to propose a person (other than himself/herself) for election as a director of the Company at the general meeting or wishes to make enquiry shall lodge a written notice at the Company's Hong Kong office at Unit 6803B, 68/F., International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for the attention of the company secretary of the Company.

The written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the contact details and biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules (including other directorships held in listed public companies in the last three (3) years and other major appointments and professional qualifications) and be signed by the shareholder concerned and the person be proposed to indicate his/her willingness to be elected and consent to the publication of his/her personal data.

The minimum length of the period for lodgement of the above notice shall be at least seven (7) days and the period for lodgement of the above notice shall commence no earlier than the despatch of the notice of the general meeting appointed for such election of Director and end no later than seven (7) days prior to the date of such general meeting. The relevant detailed procedures have been published on the Company's corporate website ([www.canvestenvironment.com](http://www.canvestenvironment.com)).

## CORPORATE GOVERNANCE REPORT

### DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the “Dividend Policy”). According to the Dividend Policy, the Company intends to declare dividends to shareholders every year. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group’s distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group’s strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

### 2020 ANNUAL GENERAL MEETING

At the 2020 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during 2020.

### COMMUNICATION WITH SHAREHOLDERS

The Company considers that good communications with the Shareholders is important in order to enable Shareholders and investors to have a better understanding of the businesses of the Group. Therefore, the Company has been reporting the performance and latest development of the Group to Shareholders through various channels and platforms, as follows:

- Apart from publishing the annual reports, interim reports, announcements, and circulars to Shareholders on the Company’s website ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and Hong Kong Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)), the Company had also posted onto its website the financial highlights, press release, and the terms of reference of the Board’s committees, such that Shareholders can obtain more corporate information from the website of the Company;
- The Company is committed to improve its investor relations. During the year 2020 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;
- The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 151 in the corporate information of this annual report;
- The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2020 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company’s website ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and Hong Kong Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)); and
- The Company’s notice of 2021 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

### CONSTITUTIONAL DOCUMENTS

There have been no changes made to the Company’s constitutional documents during the year.

The amended and restated memorandum and articles of association of the Company are available on the corporate website ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and Hong Kong Stock Exchange’s website ([www.hkex.com.hk](http://www.hkex.com.hk)).

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

### DIRECTORS' PROFILE

#### Executive Directors

**Ms. Lee Wing Yee Loretta (李詠怡)**, aged 46, has been an executive Director and the chairlady of our Company since 2014, and is also a director of certain subsidiaries of the Company. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee has also been a non-executive director of Johnson (Stock Code: 1955) since 2019. Prior to joining our Group, Ms. Lee worked in the finance and human resources department of a private company from 1997 to 2012. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

**Mr. Lai Kin Man (黎健文)**, also known as Li Jianwen (黎建文), aged 41, has been an executive Director and the deputy chairman of our Company on since 2014 and is currently a director of certain subsidiaries of the Company. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Prior to founding our Group, Mr. KM Lai was responsible for business development and was also a legal representative and chairman of other private companies from 1998 to 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

**Mr. Yuan Guozhen (袁國楨)**, aged 55, has been as an executive Director of our Company since 2014 and is the Chief Executive Officer of our Group. He is also a director and legal representative of certain subsidiaries of the Company. Mr. Yuan is responsible for executing the overall strategies and managing the daily operation of our Group. Prior to joining our Group, Mr. Yuan served as a general manager of various companies from 1995 to 2014. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in 2009.

**Mr. Lai Chun Tung (黎俊東)**, aged 46, has been an executive Director of our Company since 2014. Mr. CT Lai also assumed the role of a legal representative, chairman, general manager and/or director of various subsidiaries of the Company since 2007. Mr. CT Lai has also worked at private company since 1997 and is currently its executive director and manager. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 10th, 11th and 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), and a member of the 11th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省東莞市委員會) and a standing member of the 12th and the 13th Dongguan Committee of Chinese People's Political Consultative Conference. He resigned as a standing member of Dongguan Committee of Chinese People's Political Consultative Conference in January 2019. He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in 2007 and obtained a DBA degree from IPAG Business School in July 2018. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

### Non-executive Directors

**Mr. Feng Jun (馮駿)**, aged 57, is the chief representative of the Shanghai Representative Office of SIHL, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 363), an executive director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK. SG) since December 2009 and listed on the Main Board of Hong Kong Stock Exchange since March 2018 (stock code: 807), a vice president of SIIC Management (Shanghai) Ltd, and a chief executive officer of Shanghai overseas company. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics in 1987. He has over 30 years' experience in capital markets operation.

**Mr. Lui Ting Cheong Alexander (呂定昌)**, aged 41, has been a non-executive Director of our Company since 2014. He is a managing director of Olympus Capital Holdings Asia where he co-heads the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since 2008. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in 2001.

### Independent Non-executive Directors

**Professor Sha Zhenquan (沙振權)**, aged 61, has been an independent non-executive Director of our Company since 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Sha was engaged as a counselor of Guangdong Province by Guangdong Provincial Government since March 2019. Professor Sha has been an independent non-executive director of China Qinfa Group Limited (中國秦發集團有限公司) (stock code: 866) since September 2018 and Shenzhen Overseas Chinese Town Co., Ltd. (深圳華僑城股份有限公司) (stock code: 000069) since April 2020, a company listed on the Shenzhen Stock Exchange. He was an independent director of Shenzhen Noposition Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215) from December 2009 to December 2015, an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014, an independent director of Dongling International Investment Co., Ltd. (廣州東凌國際投資股份有限公司) (formerly known as Dongling Grain and Oil Co., Ltd. (廣州東凌糧油股份有限公司)) (stock code: 000893) from June 2012 to January 2020, Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319) from August 2013 to August 2019, which are companies listed on the Shenzhen Stock Exchange. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in 1982, a master's degree in engineering from South China University of Technology (華南理工大學) in 1991 and a doctor's degree in philosophy from City University of Hong Kong in 2001.

**Mr. Chan Kam Kwan Jason (陳錦坤)**, aged 47, has been an independent non-executive Director of our Company since 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and secretary of Brockman Mining Limited (Stock Code: 0159). He is the company secretary of Frontier Services Group Limited (Stock Code: 0500) and Concord New Energy Group Limited (Stock Code: 0182). He has also been an independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) since 2017. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

**Mr. Chung Wing Yin (鍾永賢)**, aged 43 has been an independent non-executive Director of our Company since 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in 2002 and a solicitor of the Supreme Court of England and Wales in 2003, respectively. He is a partner of Chung's Lawyers and has over ten years' experience in legal professional industry. Before founding Chung's Lawyers, Mr. Chung worked at several Hong Kong law firms and focused on general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. He is an independent non-executive director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock Code: 6122). He was an independent non-executive director of CBK Holdings Limited (Stock Code: 8428) from January 2017 to January 2021. Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in 1999 and 2004, respectively. Mr. Chung was appointed as the chairman of the Appeal Tribunal Panel (Buildings Ordinance) by the government of the Hong Kong Special administrative Region in 2018 and he was also appointed as a China Appointed Attesting Officer (Hong Kong) by the Ministry of Justice, the PRC in 2019.

**Mr. Chung Kwok Nam (鍾國南)**, aged 69, has over 40 years' experience in banking and management. He was a zone manager of Industrial & Commercial Bank of China (Asia) Limited ("ICBC Asia") until his retirement in 2013. Before joining ICBC Asia, he was a branch manager of The Hongkong and Shanghai Banking Corporation Limited. He graduated in Pui Chung College in 1971.

Save as disclosed above, there is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 12 of Appendix 16 of the Listing Rules.

### SENIOR MANAGEMENT'S PROFILE

**Mr. Song Lanqun (宋蘭群)**, aged 53, joined our Group in 2004 and was appointed as vice president and chief engineer of our Group in 2014. He is also a director of certain subsidiaries of the Company. Mr. Song is responsible for production operation of our Group. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Prior to joining our Group, Mr. Song served as a deputy general manager and chief engineer at a electricity generation company from 1997 to 2004. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in 2004.

**Mr. Chen Bo (陳波)**, aged 45, has been a vice president and chief engineer of our Group since 2014. Mr. Chen joined Kewei in 2009 and China Scivest 2011 as executive deputy general manager and chief engineer. He is also a director of certain subsidiaries of the Company. He is responsible for construction of WTE plants and technology management of our Group. Prior to joining our Group, Mr. Chen was a deputy general manager and chief engineer of certain environmental power generating companies. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in 2000 with a bachelor of engineering degree in thermal power engineering.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

**Ms. Wong Ling Fong Lisa (王玲芳)**, aged 47, joined our Group in 2013 as the chief financial officer. She has also been our company secretary since 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong was appointed as a director of Johnson (Stock Code: 1955) in 2018 and was re-designated as a non-executive director in 2019. Prior to joining our Group, she was in charge of the investment department of a private company and was also a financial controller from 2005 to 2012. She worked at KPMG from 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in 1998 with a degree of bachelor of arts in accountancy.

**Ms. Guo Huilian (郭惠蓮)**, aged 51, joined our Group in 2011 and is a vice president of our Group since 2014. She is responsible for the business development, administration and procurement of our Group. She is also a director of certain subsidiaries of the Company. Prior to joining our Group, Ms. Guo carried out managerial function and financial management roles in other private companies from 1998 to 2008. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

**Ms. Zhang Xunmei (張洵梅)**, aged 52, joined our Group in 2009 and is a vice president of our Group since 2014. She is also a director of certain subsidiaries of the Company. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in 2000. Prior to joining our Group, Ms. Zhang served as financial manager and the assistant to the general manager of a private company from 2007 to 2009. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in 1989 with an associate degree (大專學歷) in industrial moulding design.

**Mr. Zhao Li (趙立)**, aged 52, joined our Group in 2015 and was appointed as vice president of our Group and is responsible for the construction of WTE plants of the Group. Prior to joining our Group, Mr. Zhao served as a deputy general manager and chief engineer of a electricity generation company from 2003 to 2014. He graduated from the Wuhan University (武漢大學) in 1990 with a bachelor of engineering degree in thermal power engineering of power plant. He has over 27 years' experience in energy sector.

**Mr. Zhang Chao (張超)**, aged 49, joined our Group in November 2020 and was appointed as vice president. He is responsible for the production safety, legal affairs and operation management of our Group. Prior to joining our Group, Mr. Zhang worked as the executive director and chief executive officer of China Jinjiang Environment Holding Company Limited, the shares of which are listed on the Mainboard of Singapore Stock Exchange (stock code: BWM.SG) and was also a general counsel and deputy general manager of China Energy Conservation and Environmental Protection Group from beforehand. He is the vice-president of China Industrial Energy Conservation and Clean Production Association and has extensive experience in legal professional and energy conservation industry. Mr. Zhang graduated from the China University of Political Science and Law (中國政法大學) with a bachelor of law degree in 1994 and obtained a master's degree in law from the Renmin University of China (中國人民大學) in 2002. He also completed the EMBA programme of Tsinghua University (清華大學) in 2015.



## REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2020.

### PRINCIPAL PLACE OF BUSINESS

The Company is a limited company incorporated in the Cayman Islands and its principal place of business is at Unit 6803B, 68/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holdings. Its operating subsidiaries are principally engaged in the operation and management of WTE plants, provision of environmental hygiene and related services and integrated smart city management services.

An analysis of the Group's revenue during the year by operating segments is set out in note 5 to the consolidated financial statements.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2020 are set out in note 14(a) to the consolidated financial statements.

### RESULTS AND OVERALL PERFORMANCE

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 67 of this annual report.

Business review of the Group during the year ended 31 December 2020, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 10 to 13 of this annual report. Management discussion and analysis are set out on pages 14 to 29 of this annual report.

### DIVIDENDS

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 per ordinary share). If approved by shareholders, 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. Total dividend of 2020 was HK8.6 cents per share.

### SHARES ISSUED IN THE YEAR

Details of the Shares issued in the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

As at 31 December 2020, the annual results announcement date (i.e. 23 March 2021) and the date of this annual report, the Company had 2,439,541,169 Shares in issue.

### RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2020 are set out on page 71 of this annual report.

As at 31 December 2020, the reserves of the Company available for distribution to shareholders amounted to HK\$2,777.2 million (2019: HK\$2,807.6 million).

## REPORT OF THE DIRECTORS

### CHARITABLE DONATIONS

The total amount of charitable donations made by the Group during the year ended 31 December 2020 was HK\$2.1 million.

### PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020, the property, plant and equipment of the Group amounted to approximately HK\$1,313.3 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 16 to the consolidated financial statements.

### BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2020 are set out in note 27 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2020 are set out in note 11 to the consolidated financial statements.

### RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 2.22 to the consolidated financial statements. The contributions by the Group are expensed as incurred and forfeited contributions under the defined contribution scheme may be used by the Group to reduce the existing level of contributions.

### FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2020 and the 5 preceding financial years is set out on pages 148 to 149 of this annual report.

### DIRECTORS

The list of Directors of the Board is set out on page 30 of this annual report and their biographical details are set out on pages 43 to 45 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Mr. Yuan Guozhen, Mr. CT Lai, Professor Sha Zhenquan and Mr. Chung Wing Yin will retire at the 2021 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The Company has received from each independent non-executive Director a confirmation of his independence pursuant to the rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Director were independent.

### DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTOR UNDER RULES 13.51B(1) OF THE LISTING RULES

Below are the changes of Director's information during the year are set out below:

Mr. Lai Yui ceased to be a non-executive Director of the Company with effect from 30 June 2020.

Professor Sha Zhenquan was appointed as the independent non-executive director of Shenzhen Overseas Chinese Town Co., Ltd. (stock code: 000069) since April 2020, a company listed on Shenzhen Stock Exchange. He ceased to be an independent director of Dongling Grain and Oil Co., Ltd (stock code: 002319) in January 2020, a company listed on Shenzhen Stock Exchange.

## REPORT OF THE DIRECTORS

Mr. Chung Wing Yin ceased to be the independent non-executive director of CBK Holdings Limited (stock code: 8428) in January 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

### SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 45 to 46 of this annual report.

### CONTINUING CONNECTED TRANSACTION

On 12 July 2018, Yue Xing, a company jointly-owned by Mr. CT Lai and his associate, as landlord, and the Company, as tenant, entered into a leasing framework agreement (“Leasing Framework Agreement”) in relation to the leasing of Yue Xing’s 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).

Yue Xing is a company jointly-owned by Mr. CT Lai, an executive Director of the Company and his associate, and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. The annual rental income (“Annual Cap(s)”) paid for the period from 13 July 2018 to 31 December 2018 is RMB3,500,000. The Annual Caps for the financial years ending 31 December 2019 and 2020 are RMB7,000,000 and RMB7,000,000 respectively, and the Annual Cap for the period from 1 January 2021 to 30 June 2021 is RMB3,500,000. For the year ended 31 December 2020, the rent paid by the Group to Yue Xing was HK\$7,028,000 (2019: HK\$6,649,000). The Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules.

The internal audit of the Group has reviewed the 2020 continuing connected transactions and the relevant internal control procedures in respect of the negotiation, review, approval, agreement, management, reporting and monitoring process of the 2020 continuing connected transactions, and is of the view that the 2020 continuing connected transactions were conducted in accordance with the terms of the Leasing Framework Agreement and in compliance with the internal control procedures.

All the independent non-executive Directors of the Company, having reviewed the 2020 continuing connected transactions under the Leasing Framework Agreement and the findings provided by the Group’s internal audit, confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the continuing connected transaction carried out under the Leasing Framework Agreement in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Board has confirmed that the auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforementioned continuing connected transaction in accordance with rule 14A.56 of the Listing Rules and reported the results in this letter to the Board. A copy of the auditor’s letter had been provided by the Company to the Hong Kong Stock Exchange.

The continuing connected transaction is subject to reporting, annual review and announcement requirements but exempted from circular and independent Shareholders’ approval requirements pursuant to rule 14A.76(2) of the Listing Rules. Please refer to the announcement of the Company dated 12 July 2018 for further details.

## REPORT OF THE DIRECTORS

### DIVIDEND POLICY

Details of the dividend policy adopted by the Company is set out in the corporate governance report on pages 30 to 42 of this annual report.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. Details of the movement in share options of the Company during the year ended 31 December 2020 are set out in note 25(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	To recognise, motivate and provide incentives to eligible participants who make contributions to the Group: <ol style="list-style-type: none"> <li>1. To motivate the eligible participants to optimise their performance and efficiency; and</li> <li>2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.</li> </ol>
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: <ol style="list-style-type: none"> <li>1. Any full-time or part-time employees of any member of the Group;</li> <li>2. Any consultant or advisor of any member of the Group;</li> <li>3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group;</li> <li>4. Any substantial shareholder of any member of the Group; and</li> <li>5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.</li> </ol>
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2020, 23 March 2021 and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.08%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2020, the annual results announcement date (i.e. 23 March 2021) and as at the date of this annual report, respectively.

## REPORT OF THE DIRECTORS

Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
The minimum period for which an option must be held before it can be exercised	A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any option granted under the Share Option Scheme can be exercised. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.
The amount payable on application or acceptance of the option, and the period within which payments or calls must or may be made, or loans for such purposed must be paid	Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.
The basis of determining the exercise price	<p>The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined solely by the Board and notified to a grantee and shall be at least the higher of:</p> <ol style="list-style-type: none"> <li>1. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day;</li> <li>2. The average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and</li> <li>3. The nominal value of a Share on the date of grant of the option.</li> </ol>
Validity of the Share Option Scheme	10 years, from 7 December 2014 to 6 December 2024.

## REPORT OF THE DIRECTORS

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, 2015–2019 annual report, 2020 interim report and note 25(c) to the consolidated financial statements for further details.

Name or category of participant	Outstanding 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2020	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
<b>Directors</b>									
Ms. Loretta Lee	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. Yuan Guozhen	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. CT Lai	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Subtotal	750,000	—	—	—	—	750,000			
<b>Other employees working under continuous employment contracts</b>									
In aggregate	2,250,000	—	—	—	—	2,250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	3,000,000	—	—	—	—	3,000,000			

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

\*\*\* The closing price of the Shares immediately before the date of grant of such share options was HK\$4.39 per share.

The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.08%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2020, the annual results announcement date (i.e. 23 March 2021) and as at the date of this annual report, respectively.

## REPORT OF THE DIRECTORS

## SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 3 May 2019 to recognise the contributions by certain employees, consultants or advisers (collectively, the “Eligible Persons”). Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of Shares which may be awarded to an Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. Please refer to the announcement of the Company dated 3 May 2019 for further details.

On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares from Wise Power Investment Limited for the purpose of the Share Award Scheme. The Shares are held by the Trustee for the benefit of the Eligible Persons under the Trust. No Shares was granted or vested under Share Award Scheme as at 31 December 2020, the annual results announcement date (i.e. 23 March 2021) and the date of this annual report. Please refer to the announcement of the Company dated 17 July 2019 for further details.

## DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

## (1) Long positions in shares of the Company

Name of Director	Number of Shares/Underlying Shares Held					Total interests <sup>(4)</sup>	Total interests as % of the issued share capital
	Personal interest	Number of underlying shares held under equity derivatives <sup>(2)</sup>	Spouse interests	Founder of a discretionary trust <sup>(1)</sup>	Beneficiary of trust		
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	—	1,337,491,837	54.8%
Mr. KM Lai	—	—	10,000,000	1,335,615,837	—	1,345,615,837	55.2%
Mr. Yuan Guozhen	—	250,000	357,000	—	—	607,000	0.02%
Mr. CT Lai	—	250,000 <sup>(3)</sup>	1,626,000	—	1,335,615,837	1,337,491,837	54.8%
Professor Sha Zhenquan	100,000	—	—	—	—	100,000	0.0%
Mr. Chung Kwok Nam	80,000	—	—	—	—	80,000	0.0%

## REPORT OF THE DIRECTORS

### Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
2. Details of share options held by the directors are shown in page 52.
3. These represent the 250,000 share options held by Mr. CT Lai.
4. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

### (2) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Approximate percentage of interest
Ms. Loretta Lee (Note 1)	Best Approach	100.0%
Mr. KM Lai (Note 1)	Best Approach	100.0%

### Note:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).



## REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

So far as is known to the Directors or chief executives of the Company, as at 31 December 2020, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO; or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

## (1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,335,615,837 <sup>(1)</sup>	—	54.7%
VISTA Co	Interest of controlled corporation	1,335,615,837 <sup>(2)</sup>	—	54.7%
Century Rise	Interest of controlled corporation	1,335,615,837 <sup>(3)</sup>	—	54.7%
Best Approach	Beneficial owner	1,335,615,837	—	54.7%
AEP Green Power, Limited	Beneficial owner	138,305,678	—	5.7%
SIHL	Interest in controlled corporation	475,251,000 <sup>(4)</sup>	—	19.5%
Shanghai Industrial Investment (Holdings) Company Limited	Interest in controlled corporation	475,251,000 <sup>(4)</sup>	—	19.5%
True Victor	Beneficial owner	475,251,000 <sup>(4)</sup>	—	19.5%

Notes:

- The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
- VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise and Best Approach for the purposes of the SFO.

## REPORT OF THE DIRECTORS

3. Century Rise holds 45% of the issued share capital of Best Approach. Therefore, Century Rise is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.
4. True Victor is an indirect wholly-owned subsidiary of SIHL.

### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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. 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. 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.

### INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 31 December 2020, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

### EMPLOYEES AND REMUNERATION POLICIES OF THE GROUP

As at 31 December 2020, the Group had a total of 3,404 employees. The related employees' costs for the year ended 31 December 2020 amounted to HK\$350.6 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

### DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Apart from benchmarking against the market, the Company also looks at individual competency, contributions and the affordability to the Company in determining the level of remuneration for each Director. Benefit schemes of the Company are also in place for the Directors. The Group regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of Directors' remuneration and the five highest paid individuals of the Group during the year 2020 are set out in note 10 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTEREST IN COMPETING BUSINESS

During 2020, the Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

As disclosed in the prospectus of the Company dated 15 December 2014, Mr. KM Lai, Ms. Loretta Lee, VISTA Co, Century Rise and Best Approach (the "Controlling Shareholders"), have undertaken to avoid being engaged in or taking part in the business which may compete with the principal business of the Company.

The independent non-executive Directors have reviewed the compliance of the Controlling Shareholders with the deed of non-competition dated 10 December 2014 (the "Non-competition Deed"). The Controlling Shareholders of the Company have confirmed to the Company that they have complied with the non-competition undertaking under the Non-competition Deed in the year 2020.

### DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed under the headings "Continuing Connected Transaction", no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

### LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the Company's articles of association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Since the Listing Date and to date, the Company has purchased the Directors and Officers Liability Insurance for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

### DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details disclosed under the headings "Share Option Scheme" and "Directors' interests in shares, underlying shares and short positions" in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits (2019: Nil).

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the largest and five largest customers of the Group accounted for less than 16% and 48% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 26% and 48% of purchases of the Group for the year, respectively.

## REPORT OF THE DIRECTORS

None of the Directors, their respective close associates or any Shareholders (who are interested in more than 5% of the issued share capital of the Company to the knowledge of the Directors) had any interests in any of the five largest customers or suppliers of the Group.

### KEY RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that our employees, customers, business associates are keys to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business associates and supporting our community.

#### Employees

The Company places significant emphasis on human capital. The Company provides a safe working environment, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance.

#### Customers

We value the feedback from the customers through daily communication and regular meetings. The Company will coordinate with the major customers, China Southern Power Grid and the State Grid for regular maintenance with an aim to minimize the impact to the grid. Moreover, we will address to the concern or request raised by the grid companies in a timely manner and in accordance with the appropriate standards.

#### Suppliers

We treasure the long term relationship with the suppliers and proactively collaborate with our suppliers to deliver sustainable products to the community. As such, we will adopt tender processes for our major contracts and suppliers are contractually required to adhere to our quality control measures and standards.

#### Local regulatory authorities

To better serve the community, we will have regular meetings with relevant regulatory authorities to report our latest operation, with an aim to provide the latest update to the public.

### MANAGEMENT CONTRACTS

In August 2016, the Group entered into a management agreement with counterparties, pursuant to which, the counterparties entrusted the Group for the management of the construction and operation of Zhongshan WTE plant. The management agreement was terminated upon the completion of the acquisition of the equity interests of Zhongshan Guangye in 2020.

Save as disclosed above, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### PRE-EMPTIVE RIGHTS

No provision has been made in the memorandum of association or articles of association of the Company or under the laws of Cayman Islands in respect of pre-emptive rights, as such, the Company shall offer pro rata new Shares (if any) to the existing Shareholders.

## REPORT OF THE DIRECTORS

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, the Company repurchased 15,391,000 Shares of the Company on Hong Kong Stock Exchange. 14,353,000 Shares were cancelled prior to 31 December 2019 and 1,038,000 Shares were cancelled on 9 January 2020. Details of the repurchase were as follows:

Month of repurchase	Number of Shares repurchased	Purchase price per Share		Aggregate price paid (including expenses) (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
May 2019	5,618,000	3.65	3.52	20,281
June 2019	8,735,000	3.69	3.50	31,523
November 2019	1,038,000	3.42	3.15	3,499

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share.

On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares at a consideration of HK\$3.7 per share, totaling HK\$37,370,000, for the purpose of the Share Award Scheme. The Shares shall constitute part of the trust fund and shall be held by the Trustee for the benefit of the Eligible Persons under the trust. No Shares were granted by the Company under the Share Award Scheme up to the date of this annual report.

Save 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 year ended 31 December 2020 and 2019.

### CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 30 to 42 of this annual report.

### RISKS AND UNCERTAINTIES

The major risks and uncertainties faced by the Group are set out in the management and discussion analysis on page 28 to 29 of this annual report.

### ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

Discussions of environmental policies of the Group and its performance for the year ended 31 December 2020 are set out in the Environmental, Social and Governance Report, which will be issued on the Company's website ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) separately within the period as required by the Listing Rules.

## REPORT OF THE DIRECTORS

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements. The Group has been allocating resources to ensure ongoing compliance with laws, rules and regulations and maintain working relationships with regulators effectively through effective communications. During the year, the Group has complied, to the best of our knowledge, with all relevant laws, rules and regulations that have a significant impact on the Company.

### PUBLIC FLOAT

Based on the information that is publicly 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 being held by the public at all times during 2020 and up to the date of this report.

### AUDIT COMMITTEE

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

### RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 35 to the consolidated financial statements of this annual report. Details of any related party transactions which also constitute connected transactions or continuing connected transactions not exempted under rule 14A.73 of the Listing Rules are disclosed above. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

### AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2021 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2021 AGM.

### EVENTS AFTER THE BALANCE SHEET DATE

Details of the post balance sheet events are stated under section Management Discussion and Analysis of this annual report.

On behalf of the Board

**Lee Wing Yee Loretta**  
*Chairlady*

Hong Kong, 23 March 2021

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## TO THE SHAREHOLDERS OF CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

#### What we have audited

The consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 147, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

#### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to recognition of construction revenue arising from service concession arrangements.

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

<p><b>Recognition of construction revenue arising from service concession arrangements</b></p>	<p>In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management.</p>
--	---

<p>Refer to note 4 (Critical accounting estimates and judgements) and note 5 (Revenue and segment information) to the consolidated financial statements.</p>	<p>We obtained an understanding of the management's internal controls over the business process of recognition of construction revenue arising from service concession arrangements, evaluated and validated key controls.</p>
--	--

<p>The Group entered into several service concession arrangements with local government authorities in respect of its waste-to-energy projects. These arrangements are accounted for with reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements.</p>	<p>We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with the accounting estimates for construction revenue arising from service concession arrangements.</p>
--	--

<p>The Group acts as a service provider which constructs infrastructure used to provide waste-to-energy services and operates and maintains those infrastructure for a specified period of time under the respective service concession arrangements.</p>	
---	--





## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

Revenue from the construction services is recognised over time with reference to the construction costs incurred as a percentage of the total estimated construction costs for each contract plus an expected mark-up margin. The Group recognised construction revenue of HK\$2,705,275,000 from these arrangements for the year ended 31 December 2020, representing 54% of the Group's total revenue.

We focused on auditing the construction revenue arising from service concession arrangements because the estimation of total construction costs, progress towards complete satisfaction of performance obligation and mark-up margin of the Group's projects are subject to high degree of estimation uncertainty and subjectivity in management's judgement.

We performed an evaluation of the judgements made by management, discussed the status of projects with management and examined project documentation including status reports prepared internally by project managers or externally by contractors as applicable. We compared the estimated construction costs for each project under construction phase with reference to the actual costs incurred for completed projects of comparable energy output and combustion capacity. We also circulated independent confirmations to major contractors to confirm the actual costs incurred on a sample basis.

The Group has engaged an independent valuer to assist management to estimate the mark-up margin, with reference to gross margin of listed companies which are engaged in similar business of the Group. We assessed the competency, capability and objectivity of the independent valuer by considering its qualifications, relevant experience and relationship with the Group. We also discussed with the independent valuer and management to understand the basis of selection and evaluated the reasonableness of the mark-up margin by crosschecking to publicly available financial information of those comparable companies.

Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of construction revenue arising from service concession arrangements are supportable by available evidence.



## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



## INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 23 March 2021



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	5	4,987,906	3,952,216
Cost of sales	6	(3,442,782)	(2,686,690)
<b>Gross profit</b>		<b>1,545,124</b>	<b>1,265,526</b>
General and administrative expenses	6	(325,363)	(241,915)
Other income	7	211,828	155,317
Other gains/(losses), net	8	47,767	(7,832)
<b>Operating profit</b>		<b>1,479,356</b>	<b>1,171,096</b>
Interest income	11	10,747	7,094
Interest expense	11	(351,389)	(211,277)
Interest expense, net		(340,642)	(204,183)
Share of net profits of associates and a joint venture	18	118,195	54,770
<b>Profit before income tax</b>		<b>1,256,909</b>	<b>1,021,683</b>
Income tax expense	12	(199,726)	(129,632)
<b>Profit for the year</b>		<b>1,057,183</b>	<b>892,051</b>
<b>Attributable to:</b>			
Equity holders of the Company		1,053,790	892,622
Non-controlling interests		3,393	(571)
		<b>1,057,183</b>	<b>892,051</b>
<b>Earnings per share</b>			
— basic (expressed in HK cents per share)	13	43.4	36.6
— diluted (expressed in HK cents per share)	13	43.4	36.6

The notes on pages 75 to 147 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

The notes on pages 75 to 147 are an integral part of these consolidated financial statements.



# CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	15	165,363	139,288
Property, plant and equipment	16	1,313,342	1,305,361
Intangible assets	17	10,498,427	7,112,119
Interests in associates and a joint venture	18	1,184,971	774,433
Deferred tax asset	19	4,045	11,163
Long-term deposits and prepayments	20	650,389	621,026
Receivables under service concession arrangements	21	1,836,244	1,336,113
		<b>15,652,781</b>	<b>11,299,503</b>
<b>Current assets</b>			
Inventories	22	15,353	6,619
Other receivables, deposits and prepayments	20	674,631	533,980
Receivables under service concession arrangements	21	164,189	103,485
Trade and bills receivables	20	699,031	465,916
Restricted deposits	23	46,252	36,937
Cash and cash equivalents	24	1,769,598	1,020,327
		<b>3,369,054</b>	<b>2,167,264</b>
<b>Total assets</b>		<b>19,021,835</b>	<b>13,466,767</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	25	24,395	24,405
Share premium	25	2,640,551	2,644,040
Other reserves	25	1,027,163	437,600
Retained earnings		3,442,497	2,717,222
		<b>7,134,606</b>	<b>5,823,267</b>
Non-controlling interests		284,815	199,440
<b>Total equity</b>		<b>7,419,421</b>	<b>6,022,707</b>



## CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	27	8,357,650	4,561,520
Lease liabilities	28	—	1,073
Deferred income tax liabilities	19	728,722	537,757
Deferred government grants	29	202,505	105,954
Other non-current liabilities		6,864	5,109
Other payables	30	—	177,244
		<b>9,295,741</b>	<b>5,388,657</b>
<b>Current liabilities</b>			
Trade and other payables	30	1,418,584	1,179,169
Current income tax liabilities		55,659	46,332
Bank borrowings	27	822,634	815,437
Lease liabilities	28	1,073	6,794
Deferred government grants	29	8,723	7,671
		<b>2,306,673</b>	<b>2,055,403</b>
<b>Total liabilities</b>		<b>11,602,414</b>	<b>7,444,060</b>
<b>Total equity and liabilities</b>		<b>19,021,835</b>	<b>13,466,767</b>
<b>Net current assets</b>		<b>1,062,381</b>	<b>111,861</b>
<b>Total assets less current liabilities</b>		<b>16,715,162</b>	<b>11,411,364</b>

The consolidated financial statements on pages 67 to 147 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf.

**Lee Wing Yee Loretta**  
Director

**Lai Chun Tung**  
Director

The notes on pages 75 to 147 are an integral part of these consolidated financial statements.





# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Attributable to equity holders of the Company													
Note	Share capital	Share premium	Treasury shares	Shares held under share award scheme	Capital reserve	Statutory reserve	Other reserves	Share option reserve	Exchange reserve	Retained earnings	Sub-Total	Non-controlling interests	Total equity
	HK\$'000 (Note 25)	HK\$'000 (Note 25)	HK\$'000 (Note 25)	HK\$'000 (Note 26)	HK\$'000 (Note 25)	HK\$'000 (Note 25)	HK\$'000 (Note 25)	HK\$'000 (Note 25)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2019</b>	24,549	2,695,700	—	—	704,944	200,018	(176,369)	5,834	(240,200)	2,078,827	5,293,303	1,110	5,294,413
<b>Comprehensive income</b>													
Profit for the year	—	—	—	—	—	—	—	—	—	892,622	892,622	(571)	892,051
<b>Other comprehensive (loss)/ income</b>													
Currency translation differences	—	—	—	—	—	—	—	—	(125,460)	—	(125,460)	69	(125,391)
<b>Total comprehensive income for the year</b>	—	—	—	—	—	—	—	—	(125,460)	892,622	767,162	(502)	766,660
Appropriation of statutory reserve	—	—	—	—	—	109,845	—	—	—	(109,845)	—	—	—
Dividend approved and paid in respect of the previous year	31	—	—	—	—	—	—	—	—	(66,283)	(66,283)	—	(66,283)
Interim dividend declared and paid	31	—	—	—	—	—	—	—	—	(78,099)	(78,099)	—	(78,099)
Buy-back of ordinary shares	25	(144)	(51,660)	(3,499)	—	—	—	—	—	—	(55,303)	—	(55,303)
Shares purchased under share award scheme	26	—	—	—	(37,513)	—	—	—	—	—	(37,513)	—	(37,513)
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	—	—	196,599	196,599
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	—	—	2,233	2,233
<b>Balance at 31 December 2019</b>	24,405	2,644,040	(3,499)	(37,513)	704,944	309,863	(176,369)	5,834	(365,660)	2,717,222	5,823,267	199,440	6,022,707
<b>Representing:</b>													
2019 proposed final dividend	31									100,021			
Other retained earnings										2,617,201			
										<u>2,717,222</u>			



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Note	Attributable to equity holders of the Company												
	Share capital HK\$'000 (Note 25)	Share premium HK\$'000 (Note 25)	Treasury shares HK\$'000 (Note 25)	Shares held under share award scheme HK\$'000 (Note 26)	Capital reserve HK\$'000 (Note 25)	Statutory reserve HK\$'000 (Note 25)	Other reserves HK\$'000 (Note 25)	Share option reserve HK\$'000 (Note 25)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2020</b>	24,405	2,644,040	(3,499)	(37,513)	704,944	309,863	(176,369)	5,834	(365,660)	2,717,222	5,823,267	199,440	6,022,707
<b>Comprehensive income</b>													
Profit for the year	—	—	—	—	—	—	—	—	—	1,053,790	1,053,790	3,393	1,057,183
<b>Other comprehensive income</b>													
Currency translation differences	—	—	—	—	—	—	—	—	447,834	—	447,834	16,732	464,566
<b>Total comprehensive income for the year</b>	—	—	—	—	—	—	—	—	447,834	1,053,790	1,501,624	20,125	1,521,749
Appropriation of statutory reserve	—	—	—	—	—	138,230	—	—	—	(138,230)	—	—	—
Dividend approved and paid in respect of the previous year	31	—	—	—	—	—	—	—	—	(100,021)	(100,021)	—	(100,021)
Interim dividend declared and paid	31	—	—	—	—	—	—	—	—	(90,264)	(90,264)	—	(90,264)
Cancellation of ordinary shares bought back in previous year	25	(10)	(3,489)	3,499	—	—	—	—	—	—	—	—	—
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	65,250	65,250
<b>Balance at 31 December 2020</b>	24,395	2,640,551	—	(37,513)	704,944	448,093	(176,369)	5,834	82,174	3,442,497	7,134,606	284,815	7,419,421
<b>Representing:</b>													
2020 proposed final dividend	31	—	—	—	—	—	—	—	—	119,538	—	—	—
Other retained earnings	—	—	—	—	—	—	—	—	—	3,322,959	—	—	—
										<u>3,442,497</u>			

The notes on pages 75 to 147 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	1,256,909	1,021,683
Adjustment for:		
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)
Share of net profits of associates and a joint venture	(118,195)	(54,770)
Depreciation of property, plant and equipment	135,339	124,364
Amortisation of intangible assets	306,235	196,379
Amortisation of right-of-use assets	11,701	10,198
Amortisation of deferred government grants	(8,488)	(4,862)
Interest income	(10,747)	(7,094)
Interest expense	351,389	211,277
Exchange differences	(48,704)	11,100
Loss/(gain) on disposals of property, plant and equipment	937	(107)
Loss on dilution of interest in an associate	—	15,289
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)		
— Non-current prepayments	(457,138)	27,297
— Inventories	(7,083)	(1,040)
— Trade and bills receivables, other receivables and receivables under service concession arrangements	(148,025)	(232,081)
— Trade and other payables	(128,046)	401,694
Net cash used in operations	(1,667,875)	(370,204)
Income tax paid	(97,696)	(42,876)
Net cash used in operating activities	(1,765,571)	(413,080)
<b>Cash flows from investing activities</b>		
Deposits paid for investments	—	(100,744)
Payments for purchase of property, plant and equipment	(69,815)	(91,626)
Proceeds from disposals of property, plant and equipment	516	194
Increase in restricted deposits	(6,555)	(30,726)
Dividend from an associate	5,357	5,538
Acquisition of subsidiaries	(35,287)	(91,745)
Acquisition of associates	—	(7,446)
Capital contribution to a joint venture	(21,896)	(16,914)
Capital contribution and loan to associates	(73,876)	(257,451)
Interest received from bank deposits	5,469	4,478
Interest received from an associate	5,278	2,616
Net cash used in investing activities	(190,809)	(583,826)



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	32(a)	5,576,603	2,261,603
Repayments of borrowings	32(a)	(2,432,368)	(1,055,194)
Interest paid		(359,598)	(224,771)
Principal elements of lease payments	32(a)	(6,794)	(6,511)
Interest elements of lease payments		(203)	(485)
Purchase of shares under share award scheme		—	(37,513)
Dividends paid to equity holders of the Company		(190,285)	(144,382)
Payments for share bought back		—	(55,303)
Repayment of ex-shareholders' loans of a subsidiary		(8,142)	—
Capital contribution from non-controlling interests		65,250	2,233
Net cash generated from financing activities		2,644,463	739,677
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		1,020,327	1,317,431
Currency translation differences		61,188	(39,875)
<b>Cash and cash equivalents at end of year</b>		<b>1,769,598</b>	<b>1,020,327</b>

The notes on pages 75 to 147 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or modified from time to time. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the operation and management of waste-to-energy ("WTE") plants, provision of environmental hygiene and related services and integrated smart city management services. The directors regard Harvest Vista Company Limited and Best Approach Developments Limited, companies incorporated in the British Virgin Islands ("BVI"), as being the ultimate and immediate holding companies of the Company, respectively.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK\$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 March 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### 2.1.1 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

##### 2.1.1 Changes in accounting policy and disclosures (Continued)

##### (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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Subsidiaries

##### 2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are not consolidated from the date that control ceases.

##### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

When the Group acquires a business, it assesses all identifiable intangible assets in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Subsidiaries (Continued)

##### 2.2.1 Consolidation (Continued)

###### (a) Business combinations (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

###### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.3 Joint venture and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights of that entity.

Investments in joint venture and associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture and associates are recognised as a reduction in the carrying amount of the investment.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Joint venture and associates (Continued)

When the Group's share of losses in an equity-accounted investments equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains on transactions between the Group and its joint venture and associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by joint venture and associates have been adjusted to conform with the Group's accounting policies.

The carrying amount of equity-accounted investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains or losses on dilution of equity interest in an associate is recognised in the consolidated statement of profit or loss under other gains/(losses), net.

#### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

#### 2.5 Foreign currency translation

##### (i) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK\$, which is the Company's and the Group's presentation currency.

##### (ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Foreign currency translation (Continued)

##### (iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### 2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–25 years
Plant and machinery	10–15 years
Motor vehicles	3–5 years
Office and other equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.6 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Construction in progress ("CIP") represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises all direct costs of construction. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use.

#### 2.7 Intangible assets

##### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The Group performs its annual impairment reviews for goodwill as at 31 December every year. The impact of 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) issued in 2020 has been taken into consideration in the impairment review performed as at 31 December 2020. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### (b) Concession right to a BOT WTE plant

Concession right to a BOT WTE plant has a finite useful life and is carried at cost less accumulated amortisation. Concession right acquired in a business combination is recognised at fair value at the acquisition date. Costs mainly comprise construction related costs and borrowing costs that are eligible for capitalisation and incurred before the WTE plant is ready for its intended use. When the concession right is ready for its intended use, amortisation is calculated using the straight-line method to allocate the cost of concession right over the concession period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Intangible assets (Continued)

##### (c) Other intangible assets

Contract backlog and brand name acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently amortised on the straight-line basis over their useful lives and carried at cost less accumulated amortisation and impairment losses.

Their estimated useful lives are as follows:

Contract backlog	2 years
Brand name	15 years

The amortisation period and the amortisation method for an intangible asset with a limited useful life are reviewed at least at each balance sheet date.

#### 2.8 Service concession arrangements

The Group has entered into a number of service concession arrangements with certain governmental authorities or their designators (the "Grantors"). The service concession arrangements consist of BOT arrangements. Under the BOT arrangements, the Group carries out construction work of the facilities of the WTE plant for the Grantors and receives in return a right to operate the facilities of service project concerned for a specified period of time (the "Service Concession Period") in accordance with the pre-established conditions set by the Grantors, the service project should be transferred to the Grantors with nil consideration at the end of the Service Concession Period.

The Group is generally entitled to use all the property, plant and equipment of the facilities, however, the relevant governmental authorities as Grantors will control and regulate the scope of service that the Group must provide with the facilities, and retain the beneficial entitlement to any residual interest in the facilities at the end of the Service Concession Period. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the People's Republic of China ("PRC") that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the facilities to a specified level of serviceability at the end of the Service Concession Period and arrangements for arbitrating disputes.

##### (a) Consideration given by the Grantor

###### (i) Service concession arrangements under intangible asset model

An intangible asset (concession right) is recognised to the extent that the Group receives a right to charge users of public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses of service. The intangible asset (concession right) is accounted for in accordance with the policy set out for "Intangible assets" in Note 2.7, which is amortised on the straight-line basis over the Service Concession Period.

Revenue relating to operating service are accounted for in accordance with the policy for Note 2.21 "Revenue recognition". Costs for operating services are expensed in the period in which they are incurred.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Service concession arrangements (Continued)

##### (a) Consideration given by the Grantor (Continued)

##### (ii) Service concession arrangements under hybrid model

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

##### (b) Construction and upgrade services

The fair value of the construction and upgrade service under the services concession arrangement is calculated as the estimated total construction cost plus an expected mark-up margin. Construction revenue from concession arrangements are accounted for in accordance with the policy for Note 2.21 "Revenue Recognition".

#### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Assets that are subject to depreciation or amortisation other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

In assessing whether there is any indication that an asset may be impaired, the Group considers the following indications:

##### **External sources of information**

- there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- significant changes with an adverse effect have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in the market to which an asset is dedicated.
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Impairment of non-financial assets (Continued)

##### **Internal sources of information**

- evidence is available of obsolescence or physical damage of an asset.
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

#### 2.10 Financial assets

##### **(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### **(ii) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.10 Financial assets (Continued)

##### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains/losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

##### (iv) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables and receivables under service concession arrangements, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, as described Note 3.1(ii).

#### 2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group companies or the counterparty.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.12 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

#### 2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.14 Receivables

##### (a) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

##### (b) Receivables under service concession arrangements

The Group recognises financial assets arising from service concession arrangements when they have an unconditional right to receive cash or other financial asset for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as receivables under service concession arrangements. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method.

#### 2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.16 Share capital and shares held under share award scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

Consideration paid for shares held under share award scheme is deducted from equity attributable to the equity holders of the Company and disclosed as "shares held under share award scheme".

#### 2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint venture and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.20 Current and deferred income tax (Continued)

##### (c) *Offsetting*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for electricity supplied and provision of municipal solid waste (“MSW”) treatment services, construction service for service concession arrangement and environmental hygiene services, stated net of value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below.

##### (i) *Revenue from power sales*

The Group engaged in sales of electricity. Revenue is recognised over the period that services are rendered and the Group’s performance provide all of the benefits received and consumed simultaneously by the customers.

##### (ii) *Rendering of waste treatment services*

The Group engaged in provision of waste treatment services. Revenue is recognised over the period that services are rendered and the Group’s performance provide all the benefits received and consumed simultaneously by the customers.

##### (iii) *Construction revenue from service concession arrangements*

The Group provides construction services under service concession arrangements. Revenue from the construction services is recognised over time as the Group’s performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs for each contract.

##### (iv) *Finance income from service concession arrangements*

Finance income is recognised using the effective interest method. When the receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

##### (v) *Rendering of environmental hygiene services*

The Group engaged in provision of environmental hygiene services. Revenue is recognised over the period that services are rendered and the Group’s performance provide all the benefits received and consumed simultaneously by the customers.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.21 Revenue recognition (Continued)

##### **(vi) Management income**

The Group provides management services. Revenue is recognised over the period that services are rendered and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

##### **(vii) Contract assets and contract liabilities**

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceed the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations. In the consolidated balance sheet, the contract assets mainly consist of receivables under service concession arrangements and contract liabilities mainly consist of receipt in advance from customers recognised under other payables.

The Group recognised its contract assets under receivables under service concession arrangements in the consolidated balance sheet.

##### **(viii) Interest income**

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

##### **(ix) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and service concession arrangement are included in liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 Employee benefits

##### (i) Pension obligations

Subsidiaries incorporated in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities.

The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

Subsidiaries incorporated in Hong Kong participate in a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK\$1,500 per employee per month. The assets of MPF Scheme are held separately from those of the subsidiaries incorporated in Hong Kong in an independently administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

##### (ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (iii) Equity-settled, share-based compensation plan

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 Employee benefits (Continued)

##### (iii) *Equity-settled, share-based compensation plan (Continued)*

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity of the Company.

#### 2.23 Borrowing costs

General and specific borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of this asset, until such time as the asset is substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of rentals of offices for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.24 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and interest. The interest is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### 3.1 Market risk

##### (i) Foreign exchange risk

Since the operating subsidiaries of the Group mainly operate in the PRC with transactions mainly settled in Renminbi ("RMB"), being the functional currency of these subsidiaries, the Group is not exposed to significant foreign exchange risk.

##### (ii) Credit risk

###### (i) Risk Management

The credit risk of the Group mainly arises from bank deposits, trade and bills receivables, other receivables and receivables under services concession arrangements. Bank deposits are placed with reputable banks and financial institutions.

For trade and bills receivables, other receivables and receivables under services concession arrangements, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history and the major counterparties are primarily local government authorities in the PRC, directors are of the opinion that the risk of default by these counterparties is not significant.

The Group has concentration of credit risk. As at 31 December 2020, 25% (2019: 27%) of the total trade and bills receivables and receivables under services concession arrangements were due from the five largest customers.

The carrying values of these balances represent the Group's maximum exposure to credit risk in relation to the financial statements.

###### (ii) Impairment of financial assets

The Group has the following financial assets that are subject to the ECL model:

- trade and bills receivables
- receivables under service concession arrangements
- other financial assets carried at amortised cost

While cash and cash equivalents and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

#### 3.1 Market risk (Continued)

##### (ii) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Trade and bills receivables and receivables under service concession arrangements

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and receivables under service concession arrangements.

To measure the expected credit losses of trade and bills receivables and contract assets, they have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled contract work and have the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off over a period of 12 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product growth rates in the PRC to be the most relevant factors, and accordingly adjusted the historical loss rates based on the expected changes in these factors in the future period.

Trade and bills receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade and bills receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the ECL is immaterial.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

#### 3.1 Market risk (Continued)

##### (iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK\$1,765,571,000 (2019: HK\$413,080,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK\$3,061,527,000 (2019: HK\$1,369,714,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK\$1,295,956,000 (2019: HK\$956,634,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecasting cash inflows and outflows due in day to day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The tables below analyse the Group's contractual maturities for its non-derivative financial liabilities (excluding statutory liabilities) as at 31 December 2020 and 2019. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but within 5 years HK\$'000	More than 5 years HK\$'000	Total contracted cash flows HK\$'000
<b>As at 31 December 2020</b>					
Bank borrowings (including interest)	1,202,474	1,362,081	5,702,970	2,427,207	10,694,732
Lease liabilities	2,893	—	—	—	2,893
Trade and other payables	1,233,015	—	—	—	1,233,015
	<b>2,438,382</b>	<b>1,362,081</b>	<b>5,702,970</b>	<b>2,427,207</b>	<b>11,930,640</b>
<b>As at 31 December 2019</b>					
Bank borrowings (including interest)	1,072,418	1,232,570	2,716,364	1,280,532	6,301,884
Lease liabilities	7,012	2,893	—	—	9,905
Trade and other payables	1,072,511	177,244	—	—	1,249,755
	<b>2,151,941</b>	<b>1,412,707</b>	<b>2,716,364</b>	<b>1,280,532</b>	<b>7,561,544</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

#### 3.1 Market risk (Continued)

##### (iv) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings bearing variable rates expose the Group to cash flow interest rate risk.

The Group does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant exposure should the need arise.

For the year ended 31 December 2020, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and retained earnings would have been approximately HK\$87,825,000 (2019: HK\$52,005,000) lower/higher as a result of higher/lower interest expense on bank borrowings. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to cash flow interest rate risk for bank borrowings in existence at the balance sheet date.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest risk. As all the Group's bank deposits were short-term in nature, any changes in the interest rate from time to time is not considered to have significant impact to the Group's financial performance.

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowings.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

#### 3.2 Capital risk management (Continued)

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The net debt to total capital ratios at 31 December 2020 and 2019 were as follows:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings (Note 27)	9,180,284	5,376,957
Less: cash and cash equivalents (Note 24)	(1,769,598)	(1,020,327)
Net debt	7,410,686	4,356,630
Total equity	7,419,421	6,022,707
Total capital	14,830,107	10,379,337
Net debt to total capital ratio	50%	42%

As at 31 December 2020, bank borrowings of HK\$5,419,694,000 (2019: HK\$2,987,889,000) are subject to the fulfilment of covenants relating to certain financial ratios. If the Group were to breach the covenants, bank borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants.

#### 3.3 Fair value

The management considered the carrying amounts of financial assets and liabilities approximated their fair values as at 31 December 2020 and 2019. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The method by which the fair values of financial instruments are established are categorised as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs, other than quoted prices within level 1, that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

#### 3.3 Fair value (Continued)

The fair value of financial instruments traded in active markets is based on quoted market price at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 December 2020 and 2019, the Group does not have any financial assets and liabilities which are measured at fair values.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Service concession arrangements

The Group entered into BOT arrangements in respect of its WTE projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.21, revenue relating to construction services under such arrangement is recognised over time, by reference to the construction cost incurred as a percentage of the total estimated costs for each contract. Judgement is required in estimating the total construction cost and mark-up margin of the projects.

In making this judgement, the Group reviews and makes the estimation with reference to actual costs incurred for completed projects of comparable WTE capacity, status reports prepared internally and externally and gross margin of listed companies which are engaged in similar business of the Group. Should these estimates changed, this would affect the revenue and profit to be recognised in the construction period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### Impairment of financial assets

The Group makes provision for impairment of financial assets based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of financial assets requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of financial assets and loss for the impairment of financial assets recognised in the periods in which such estimates have been changed.

### 5 REVENUE AND SEGMENT INFORMATION

The CODM 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 — 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 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:

	2020 HK\$'000	2019 HK\$'000
Revenue from power sales	1,470,289	1,263,882
Waste treatment fee	591,960	493,028
Construction revenue arising from 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
	<b>4,987,906</b>	<b>3,952,216</b>

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 6 EXPENSES BY NATURE

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

	2020 HK\$'000	2019 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 (Note 9)	350,564	304,442
Depreciation and amortisation		
— Property, plant and equipment (Note 16)	135,339	124,364
— Intangible assets (Note 17)	306,235	196,379
— Right-of-use assets (Note 15)	11,701	10,198
Other lease expenses*	9,295	9,361
Construction cost recognised for construction of BOT projects (included in cost of sales)	2,254,396	1,678,408

\* 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.

## 7 OTHER INCOME

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 7 OTHER INCOME (Continued)

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 value-added tax 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.

### 8 OTHER GAINS/(LOSSES), NET

	2020 HK\$'000	2019 HK\$'000
(Loss)/gain on disposals of property, plant and equipment (Note 32(b))	(937)	107
Exchange gain/(loss), net	48,704	(11,100)
Others (Note 18(v))	—	3,161
	<b>47,767</b>	<b>(7,832)</b>

### 9 EMPLOYEE BENEFIT EXPENSES

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	307,109	254,577
Pension costs — defined contribution plans	4,344	15,784
Welfare and other expenses	39,111	34,081
Total	<b>350,564</b>	<b>304,442</b>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

## (a) Directors' emoluments

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 December 2020</b>					
<i>Executive directors:</i>					
Ms. Lee Wing Yee Loretta	—	2,067	636	18	2,721
Mr. Lai Kin Man	—	611	—	18	629
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,641	1,080	21	2,742
Mr. Lai Chun Tung	—	3,271	1,875	18	5,164
<i>Non-executive directors:</i>					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui (Note)	90	—	—	—	90
<i>Independent non-executive directors:</i>					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	1,050	7,590	3,591	75	12,306
<b>Year ended 31 December 2019</b>					
<i>Executive directors:</i>					
Ms. Lee Wing Yee Loretta	—	2,067	636	18	2,721
Mr. Lai Kin Man	—	600	—	18	618
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,616	750	52	2,418
Mr. Lai Chun Tung	—	3,249	1,538	18	4,805
<i>Non-executive directors:</i>					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui (Note)	180	—	—	—	180
<i>Independent non-executive directors:</i>					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	1,140	7,532	2,924	106	11,702

Note: Mr. Lai Yui ceased to be a non-executive director of the Company with effect from 30 June 2020.

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2020 (2019: same).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(Continued)

#### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2020, except for employer's contribution to pension scheme as disclosed above (2019: Nil).

#### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2020 (2019: Nil).

#### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2019: Nil).

#### (f) Directors' material interests in transactions, arrangements or contracts

Save for the related party transaction disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2020 or at any time during the year ended 31 December 2020 (2019: Nil).

#### (g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2020 (2019: 3), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2020 (2019: 2) are as follows:

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	4,900	4,826
Pension costs — defined contribution plans	18	18
Welfare and other expenses	765	705
<b>Total</b>	<b>5,683</b>	<b>5,549</b>

The emoluments fell within the following bands:

	2020	2019
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	—	—
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$3,500,001 – HK\$4,000,000	—	1

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(Continued)

## (g) Five highest paid individuals (Continued)

During the year ended 31 December 2020, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2019: same).

## 11 INTEREST INCOME AND EXPENSE

	2020 HK\$'000	2019 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
	(351,389)	(211,277)
Interest income from bank deposits	5,469	4,478
Interest income from an associate (Note 18)	5,278	2,616
Interest expense, net	(340,642)	(204,183)

Interest expense on bank borrowings were capitalised at the weighted average rate of general borrowings of approximately 4% (2019: 5%).

## 12 INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
<b>Current income tax</b>		
PRC enterprise income tax	102,920	64,547
Hong Kong profits tax	—	—
<b>Total current income tax</b>	102,920	64,547
<b>Deferred income tax</b> (Note 19)	96,806	65,085
<b>Income tax expense</b>	199,726	129,632

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).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 12 INCOME TAX EXPENSE (Continued)

Subsidiaries incorporated in the PRC are subject 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	
	2020	2019
Dongguan China Scivest Environmental Power Company Limited — phase 2 of its project	0%	0%
Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") — 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 ("Zhongshan Guangye")	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 ("Zaozhuang Zhongke")	0%	25%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

**12 INCOME TAX EXPENSE** (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by weighted average tax rate applicable to profit of the subsidiaries of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	1,256,909	1,021,683
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	289,717	254,560
Tax effect of:		
Income not taxable for tax purpose	(24,693)	(14,284)
Expenses not deductible for tax purpose	61,161	26,627
Preferential tax concession	(126,459)	(137,271)
Income tax expense	199,726	129,632

The weighted average applicable tax rate was 15.9% for the year ended 31 December 2020 (2019: 12.7%).

**13 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.

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	1,053,790	892,622
Weighted average number of ordinary shares in issue (thousand shares)	2,429,441	2,441,916
Basic earnings per share (HK cents)	43.4	36.6



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 13 EARNINGS PER SHARE (Continued)

#### (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 years 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.

### 14 SUBSIDIARIES

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below:

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Directly owned:</i>				
Yi Feng Development Limited 億豐發展有限公司	BVI, limited liability company	100 ordinary shares of US\$1 each	100%	Investment holding/ Hong Kong
<i>Indirectly owned:</i>				
Anabell Hong Kong Limited 安貝爾香港有限公司	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Investment holding/ Hong Kong
Baoding Canvest Kewei Environmental Power Company Limited 保定粵豐科維環保電力有限公司*^	The PRC, limited liability company	RMB102,820,000/ RMB102,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Beiliu Canvest Environmental Power Company Limited 北流粵豐環保電力有限公司*^	The PRC, limited liability company	RMB176,750,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below:  
(Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Indirectly owned:</i> (Continued) Canvest Environmental (China) Company Limited 粵豐環保(中國)有限公司	BVI, limited liability company	1 ordinary share of US\$1 each	100%	Investment holding/ Hong Kong
Canvest Technology Company Limited (formerly known as "Canvest Environmental (Overseas) Company Limited") 粵豐科技有限公司 (formerly known as "粵豐環保(海外)有限公司")	BVI, limited liability company	1 ordinary share of US\$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental Investment Company Limited (formerly known as "Canvest Environmental (Shanghai) Company Limited") 粵豐環境投資有限公司 (formerly known as "粵豐環保(上海)有限公司")	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Investment holding/ Hong Kong
Canvest City Management Technology Company Limited (formerly known as "Canvest Environmental International Limited") 粵豐城市管理科技有限公司 (formerly known as "粵豐環保國際有限公司")	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Provision of human resources and administrative services/Hong Kong
Canvest Kewei Environmental Investment (Guangdong) Company Limited ("Kewei") (formerly known as "Dongguan Kewei Environmental Power Company Limited") 粵豐科維環保投資(廣東)有限公司* <sup>^</sup> (formerly known as "東莞科維環保投資有限公司*")	The PRC, limited liability company	RMB1,420,000,000	100%	Provision of MSW handling services and operation and management of WTE plant and investment holding/ the PRC
Canvest SciWin Intelligent Investment (Guangdong) Company Limited 粵豐科盈智能投資(廣東)有限公司* <sup>^</sup>	The PRC, limited liability company	RMB210,000,000/ RMB5,000,000	100%	Management and operations of smart car parking business and investment holding/the PRC



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below:  
(Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Indirectly owned: (Continued)</i> Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited") 粵豐粵展環保投資(廣東)有限公司* <sup>^</sup> (formerly known as "粵展環保投資(廣東)有限公司*")	The PRC, limited liability company	RMB250,000,000	100%	Investment holding/the PRC
Canvest Yuezhan Environmental Management (Guangdong) Company Limited 粵豐粵展環境管理(廣東)有限公司* <sup>^</sup>	The PRC, limited liability company	RMB150,000,000/ RMB114,466,000	100%	Provision of transportation services and investment holding/the PRC
Canvest Yuezhan Environmental Technology (Guangdong) Company Limited ("Yuezhan Environmental Technology") 粵豐粵展環保科技(廣東)有限公司* <sup>Δ</sup>	The PRC, limited liability company	RMB10,000,000 (note (a))	51%	Investment holding/the PRC
Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited 粵豐粵展智慧環衛服務(廣東)有限公司* <sup>^</sup>	The PRC, limited liability company	RMB100,000,000/ RMB56,000,000	100%	Investment holding/the PRC
China Green Power Holdings Limited 中國綠色能源控股有限公司	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Investment holding/ Hong Kong
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US\$1 each	100%	Investment holding/ Hong Kong





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below:  
(Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Indirectly owned:</i> (Continued)				
Datong Canvest Environmental Power Company Limited 大同粵豐環保電力有限公司**	The PRC, limited liability company	RMB118,110,000/ RMB1,000,000	63%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Dehong Canvest Environmental Power Company Limited 德宏粵豐環保電力有限公司**	The PRC, limited liability company	RMB105,000,000/ RMB96,500,000	90%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司**	The PRC, limited liability company	RMB330,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Dongguan Eco-Tech Environmental Power Company Limited 東莞市科偉環保電力有限公司*^	The PRC, limited liability company	RMB400,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US\$1 each	100%	Investment holding/ Hong Kong
Fine Way Investments Limited 佳威投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Investment holding/ Hong Kong
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	100%	Investment holding/ Hong Kong



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below:  
(Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Indirectly owned: (Continued)</i>				
Jingjiang Canvest Environmental Power Company Limited ("Jingjiang Canvest") 靖江粵豐環保電力有限公司**	The PRC, limited liability company	RMB169,880,000/ RMB120,000,000 (note (b))	80%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US\$1 each	100%	Investment holding/ Hong Kong
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*")	The PRC, limited liability company	RMB261,500,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Laibin Canvest Jiajieyuan City Environmental Services Company Limited 來賓粵豐佳潔園城市環境服務有限公司*^	The PRC, limited liability company	RMB1,000,000	100%	Provision of cleaning and waste management service/the PRC
Linfen Canvest Environmental Power Company Limited ("Linfen Canvest") 臨汾粵豐環保電力有限公司**	The PRC, limited liability company	RMB194,321,800/ RMB81,224,500 (note (c))	98%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Lufeng Canvest Environmental Power Company Limited 陸豐粵豐環保電力有限公司*^	The PRC, limited liability company	RMB188,160,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Maoming Canvest Environmental Power Company Limited 茂名粵豐環保電力有限公司*^	The PRC, limited liability company	RMB352,970,000/ RMB261,472,060	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
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*^	The PRC, limited liability company	RMB196,600,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qiandongnanzhou Liping Canvest Environmental Power Company Limited 黔東南州黎平粵豐環保電力有限公司*^	The PRC, limited liability company	RMB75,840,000/ RMB29,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below:  
(Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Indirectly owned: (Continued)</i>				
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司* <sup>^</sup>	The PRC, limited liability company	RMB350,750,000/ RMB157,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Shaoguan Canvest Environmental Power Company Limited 韶關粵豐環保電力有限公司**	The PRC, limited liability company	RMB126,610,000/ RMB105,000,000	99.4%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Sichuan Jijieyuan Environmental Technology Company Limited ("Sichuan Jijieyuan") 四川佳潔園環保科技有限公司* <sup>Δ</sup>	The PRC, limited liability company	RMB32,000,000	100%	Provision of cleaning and waste management service/the PRC
Taizhou Canvest Environmental Power Company Limited ("Taizhou Canvest") 泰州粵豐環保電力有限公司**	The PRC, limited liability company	RMB210,573,000/ RMB74,019,427 (note (d))	64.9%	Provision of MSW handling services and operation and management of WTE plant/the PRC
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK\$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK\$1 each	100%	Investment holding/ Hong Kong
Xiangyun Shengyun Environmental Energy Company Limited ("Xiangyun Shengyun") 祥雲盛運環保電力有限公司* <sup>^</sup>	The PRC, limited liability company	RMB82,000,000/ RMB24,200,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinfeng Canvest Environmental Power Company Limited (formerly known as "Jiangxi Xinfeng Kunyue Environmental Power Company Limited") 信豐粵豐環保電力有限公司* <sup>^</sup> (formerly known as "江西信豐坤躍環保電力有限公司"* <sup>*</sup> )	The PRC, limited liability company	RMB115,100,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinyi Canvest Environmental Power Company Limited 信宜粵豐環保電力有限公司* <sup>^</sup>	The PRC, limited liability company	RMB169,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xuwen Canvest Environmental Power Company Limited 徐聞粵豐環保電力有限公司* <sup>^</sup>	The PRC, limited liability company	RMB117,380,000/ RMB105,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2020 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
<i>Indirectly owned: (Continued)</i>				
Yingkou Canvest Power Environmental Power Company Limited ("Yingkou Canvest") 營口粵豐環保電力有限公司**	The PRC, limited liability company	RMB225,350,000/ RMB100,225,350 (note (e))	99.8%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zaozhuang Canvest Environmental Company Limited 棗莊粵豐環保有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB20,289,608	100%	Provision of MSW handling services and operation and management of landfill/ the PRC
Zaozhuang Zhongke Environmental Energy Company Limited 棗莊中科環保電力有限公司**	The PRC, limited liability company	RMB507,452,000/ RMB359,760,840	51%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhanjiang Canvest Environmental Power Company Limited 湛江市粵豐環保電力有限公司**	The PRC, limited liability company	RMB194,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhongshan City Guangyue Longcheng Environmental Company Limited 中山市廣業龍澄環保電力有限公司*^	The PRC, limited liability company	RMB418,590,000/ RMB239,180,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC

\* The English name of the subsidiaries referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

^ Registered under the laws of the PRC as foreign investment enterprises.

# Registered under the laws of the PRC as sino-foreign co-operation joint ventures.

△ Registered under the laws of the PRC as private companies with limited liability.

#### Contribution from non-controlling interests

Note (a): For the year ended 31 December 2020, two independent third parties, who holds 49% equity interest in Canvest Yuezhao Environmental Technology in total, contributed RMB3,920,000 in aggregate to Canvest Yuezhao Environmental Technology.

Note (b): For the year ended 31 December 2020, an independent third party, who holds 20% equity interest in Jingjiang Canvest, contributed RMB20,000,000 to Jingjiang Canvest.

Note (c): For the year ended 31 December 2020, an independent third party, who holds 2% equity interest in Linfen Canvest, contributed RMB1,224,500 to Linfen Canvest.

Note (d): For the year ended 31 December 2020, two independent third parties, who holds 35.1% equity interest in Taizhou Canvest in total, contributed RMB27,730,000 in aggregate to Taizhou Canvest.

Note (e): For the year ended 31 December 2020, an independent third party, who holds 0.2% equity interest in Yingkou Canvest, contributed RMB225,350 to Yingkou Canvest.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 14 SUBSIDIARIES (Continued)

## (b) Non-consolidation of entities

As at 31 December 2020, the Group owns equity interests of approximately 73.9% (2019: same) in Shanghai Shengong Environmental Protection Engineering Co., Ltd. (“上海神工環保股份有限公司”) (“Shanghai Shengong”), which owns approximately 61.3% (2019: same) in Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited (“上海寶山神工生活廢物處置有限公司”) (“Shanghai Baoshan”). Shanghai Shengong and Shanghai Baoshan were incorporated in the PRC. Shanghai Shengong owns the concession right to a WTE plant in Baoshan District, Shanghai. The directors have determined that they are not controlled entities of the Group because the Group is not exposed, and has no right, to variable returns from these entities and is not able to use its power over these entities to affect those returns. The related payments were included in “Other receivables” (Note 20(a)).

## (c) Material non-controlling interests

Set out below is the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	<b>Zaozhuang Zhongke</b>	
	2020 HK\$'000	2019 HK\$'000
<b>Summarised statement of profit or loss</b>		
Revenue	487,157	121,174
Profit for the year/period	31,920	17,255
Other comprehensive income	4,348	780
Total comprehensive income for the year/period	36,268	18,035
<b>Summarised balance sheet</b>		
Current assets	167,043	131,088
Current liabilities	(305,111)	(137,289)
Net current liabilities	(138,068)	(6,201)
Non-current assets	1,168,231	619,065
Non-current liabilities	(584,852)	(202,129)
Net non-current assets	583,379	416,936
Net assets	445,311	410,735
Accumulated non-controlling interests	210,181	196,716
<b>Summarised cash flows</b>		
Net cash used in operating activities	(304,706)	(88,269)
Net cash (used in)/generated from investing activities	(25)	45
Net cash generated from financing activities	308,351	86,702
Net increase/(decrease) in cash and cash equivalents	3,620	(1,522)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 15 RIGHT-OF-USE ASSETS

	Land use rights HK\$'000	Office premises HK\$'000	Total HK\$'000
<b>Year ended 31 December 2019</b>			
Opening net book amount	136,324	16,079	152,403
Amortisation (Note 6)	(3,544)	(6,654)	(10,198)
Currency translation differences	(2,917)	—	(2,917)
As at 31 December 2019	129,863	9,425	139,288
<b>Year ended 31 December 2020</b>			
Opening net book amount	129,863	9,425	139,288
Addition	28,077	—	28,077
Amortisation (Note 6)	(5,048)	(6,653)	(11,701)
Currency translation differences	9,699	—	9,699
As at 31 December 2020	162,591	2,772	165,363

The Group's land use rights included prepaid lease payments which are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Leases in the PRC	69,822	40,333

Remaining balances represent values of the right to operate Eco-Tech WTE plants under build-own-operate basis.

Amortisation expense for land use rights of approximately HK\$5,048,000 (2019: HK\$3,544,000) was charged in "cost of sales" while amortisation expense for office premises of approximately HK\$6,653,000 (2019: HK\$6,654,000) was charged to "general and administrative expenses" in the consolidated statement of profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 16 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Office and other equipment HK\$'000	Total HK\$'000
<b>Year ended 31 December 2019</b>					
Opening net book amount	624,778	721,423	30,214	15,152	1,391,567
Additions	10,508	39,536	5,964	6,372	62,380
Acquisition of a subsidiary	—	46	587	603	1,236
Disposals (Note 32(b))	—	—	(77)	(10)	(87)
Depreciation	(40,150)	(70,591)	(8,148)	(5,475)	(124,364)
Currency translation differences	(10,465)	(14,244)	(630)	(32)	(25,371)
Closing net book amount	584,671	676,170	27,910	16,610	1,305,361
<b>As at 31 December 2019</b>					
Cost	747,113	1,025,138	44,763	38,156	1,855,170
Accumulated depreciation	(162,442)	(348,968)	(16,853)	(21,546)	(549,809)
Net book amount	584,671	676,170	27,910	16,610	1,305,361



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Office and other equipment HK\$'000	Total HK\$'000
<b>Year ended 31 December 2020</b>					
Opening net book amount	584,671	676,170	27,910	16,610	1,305,361
Additions	36,435	13,025	8,851	6,838	65,149
Acquisition of subsidiaries (Note 36)	—	380	1,184	911	2,475
Disposals (Note 32(b))	—	(16)	(1,198)	(239)	(1,453)
Depreciation	(44,304)	(75,015)	(9,689)	(6,331)	(135,339)
Currency translation differences	34,984	37,973	3,358	834	77,149
Closing net book amount	611,786	652,517	30,416	18,623	1,313,342
<b>As at 31 December 2020</b>					
Cost	838,287	1,097,400	55,370	46,709	2,037,766
Accumulated depreciation	(226,501)	(444,883)	(24,954)	(28,086)	(724,424)
Net book amount	611,786	652,517	30,416	18,623	1,313,342

Depreciation expense was charged in the consolidated statement of profit or loss as follows:

	2020 HK\$'000	2019 HK\$'000
Cost of sales	122,877	116,098
General and administrative expenses	12,462	8,266
	135,339	124,364

As at 31 December 2020, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK\$271,716,000 (2019: HK\$278,016,000) (Note 27).





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 17 INTANGIBLE ASSETS

	Goodwill HK\$'000	Concession rights HK\$'000	Contract backlog HK\$'000	Brand name HK\$'000	Total HK\$'000
<b>Year ended 31 December 2019</b>					
Opening net book amount	209,913	4,723,673	11,185	17,347	4,962,118
Additions from BOT arrangement	—	1,998,461	—	—	1,998,461
Acquisition of a subsidiary	—	499,687	—	—	499,687
Amortisation	—	(189,916)	(5,310)	(1,153)	(196,379)
Currency translation differences	(4,599)	(146,667)	(145)	(357)	(151,768)
Closing net book amount	205,314	6,885,238	5,730	15,837	7,112,119
<b>As at 31 December 2019</b>					
Cost	205,314	7,490,317	10,939	16,968	7,723,538
Accumulated amortisation	—	(605,079)	(5,209)	(1,131)	(611,419)
Net book amount	205,314	6,885,238	5,730	15,837	7,112,119
<b>Year ended 31 December 2020</b>					
Opening net book amount	205,314	6,885,238	5,730	15,837	7,112,119
Additions from BOT arrangement	—	2,536,028	—	—	2,536,028
Acquisition of subsidiaries (Note 36)	—	537,284	—	—	537,284
Amortisation	—	(299,856)	(5,241)	(1,138)	(306,235)
Currency translation differences	13,225	604,987	65	954	619,231
Closing net book amount	218,539	10,263,681	554	15,653	10,498,427
<b>As at 31 December 2020</b>					
Cost	218,539	11,224,895	11,644	18,061	11,473,139
Accumulated amortisation	—	(961,214)	(11,090)	(2,408)	(974,712)
Net book amount	218,539	10,263,681	554	15,653	10,498,427



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 17 INTANGIBLE ASSETS (Continued)

Goodwill is mainly attributable to the acquisition of Eco-Tech and Sichuan Jiajieyuan in 2011 and 2018 respectively. The carrying amount of goodwill allocated to the Group's CGUs is as follows:

	2020 HK\$'000	2019 HK\$'000
Eco-Tech	168,984	158,758
Sichuan Jiajieyuan	49,555	46,556
	<b>218,539</b>	<b>205,314</b>

For the purposes of impairment reviews, the recoverable amount of CGUs is determined based on the value-in-use calculations which require the use of assumptions. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate of 3% (2019: 3%) on waste treatment fee for Eco-Tech and 5.7% (2019: 5.7%) on environmental hygiene service income for Sichuan Jiajieyuan for the purposes of impairment reviews covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account of the estimated terminal growth rate of 3% (2019: 3%) on waste treatment fee for Eco-Tech and environmental hygiene service income for Sichuan Jiajieyuan, and expected remaining useful lives of the relevant underlying operating assets. The assumptions used for budgeted revenue and gross profit margin are supported by historical data of existing projects. The operating cash inflows generated from these projects are mainly due from local government authorities in the PRC with no recent history of default, and accordingly the management considers the credit risk of cash flows from such projects to be insignificant.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. The pre-tax discount rate used is 9.5% (2019: 9.5%) for Eco-Tech and 18.9% (2019: 18.9%) for Sichuan Jiajieyuan for the year ended 31 December 2020. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGUs. Based on the impairment review, no impairment is considered necessary as at 31 December 2020 and 2019. There are no reasonably possible change in the key assumptions which would cause the carrying amount to exceed the recoverable amount for goodwill attributable to the acquisition of Eco-Tech and Sichuan Jiajieyuan.

Concession rights are mainly attributable to the acquisition of certain subsidiaries with BOT arrangements and allocation from the BOT arrangement of certain WTE plants of the Group. Amortisation expenses were charged to "cost of sales" in the consolidated statement of profit or loss. The remaining amortisation period of those concession rights ranged from 10 to 30 years.

Contract backlog and brand name were mainly attributable to the acquisition of Sichuan Jiajieyuan on 28 December 2018. The remaining amortisation period of the contract backlog and brand name were approximately 1 month and 13 years respectively.

As at 31 December 2020, certain of the Group's borrowings were secured by the BOT arrangements entered by certain WTE plants of the Group, with the local governments with aggregate carrying amount of HK\$9,914,100,000 (2019: HK\$6,027,137,000) (Note 27).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

## Interests in associates and a joint venture

Set out below are the associates and a joint venture of the Group as at 31 December 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation of registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest		Measurement method	Carrying amount	
		2020 %	2019 %		2020 HK\$'000	2019 HK\$'000
<b>Equity accounted investments</b>						
<i>Associates:</i>						
Dongguan Xindongyuan Environmental Investment Company Limited ("Dongguan Xindongyuan") (note (a)) 東莞市新東元環保投資有限公司**	The PRC	49%	49%	Equity method	147,636	84,448
Dongguan Xindongyue Environmental Company Limited ("Dongguan Xindongyue") (note (b)) 東莞市新東粵環保實業有限公司* <sup>△</sup>	The PRC	35%	35%	Equity method	185,721	152,196
Hong Kong Johnson Holdings Co., Ltd. ("Johnson") (note (c)) 香港莊臣控股有限公司	Cayman Islands	30.75%	30.75%	Equity method	224,119	181,955
Huizhou City Zhongzhou Environmental Resources Company Limited ("Zhongzhou Environmental") (note (d)) 惠州市中洲環保資源有限公司**	The PRC	40%	—	Equity method	164,032	—
Shen County SIIC Environmental Energy Co. Ltd. ("Shen County SIIC") (note (e)) 莘縣上實環保能源有限公司**	The PRC	20%	20%	Equity method	1,195	1,195
SIIC Xangtze Delta Environmental Resources (Hong Kong) Limited (note (f)) ("SIIC Xangtze Delta") 上海實業環境長三角環保資源(香港)有限公司	Hong Kong	30%	30%	Equity method	111,052	95,397
<i>A joint venture:</i> Jianyang Canvest Environmental Power Company Limited ("Jianyang Canvest") (note (g)) 簡陽粵豐環保電力有限公司* <sup>△</sup>	The PRC	50%	50%	Equity method	232,396	147,612
<b>Total equity accounted investments</b>					<b>1,066,151</b>	<b>662,803</b>
Loan to an associate Dongguan Xindongyuan (note (b))					118,820	111,630
<b>Total interest in associates and a joint venture</b>					<b>1,184,971</b>	<b>774,433</b>

\* The English name of the associates and joint venture referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

# Registered under the laws of the PRC as sino-foreign co-operation joint ventures.

<sup>△</sup> Registered under the laws of the PRC as private companies with limited liability.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued) Interests in associates and a joint venture (Continued)

- (a) Dongguan Xindongyuan is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the concession right to a WTE plant in Machong Town, Dongguan City, Guangdong Province.
- (b) Dongguan Xindongyue is principally engaged in the construction of environmental improvement project and treatment of hazardous waste. Currently, it owns the landfill for fly ash in Dongguan City and provides fly ash landfill service to the Group.

Loan to an associate is unsecured and interest-bearing at the rate announced by the People's Bank of China. For the year ended 31 December 2020, interest income of HK\$5,278,000 is recognised (2019: HK\$2,616,000) (Note 11).

- (c) Johnson is an investment holding company and the group is principally engaged in the provision of cleaning, janitorial and other related services for government, commercial, and industrial markets in Hong Kong.

As at 31 December 2020, the quoted fair value of the Group's equity interest in Johnson is HK\$107,625,000 (31 December 2019: HK\$112,238,000).

- (d) Zhongzhou Environmental is principally engaged in the treatment of bottom ash produced from the incineration of waste in the PRC. The Group sells bottom ash to Zhongzhou Environmental.
- (e) Shen County SIIC is principally engaged in the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. Shen County SIIC was set up together with Shanghai Fudan Water Engineering Technology Co., Ltd., a subsidiary of the substantial shareholder of the Company, and 2 independent third parties.
- (f) SIIC Xangtze Delta is an investment holding company incorporated in Hong Kong with SIIC Environment Tech (Hong Kong) Limited, a subsidiary of the substantial shareholder of the Company.

SIIC Xangtze Delta holds 60% of equity interest in Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd. ("上海上實寶金剛環境資源科技有限公司"), which owns the concession right to invest, construct and operate of a WTE project in Shanghai. The project has daily municipal solid waste processing capacities of 3,000 tonnes for residual waste and 800 tonnes for household food waste ("Baoshan WTE Project").

- (g) Jianyang Canvest is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the BOT concession right to operate a WTE plant in Jianyang City, Sichuan Province.

Other than (c), all of the associates and joint venture are private entities and no quoted prices are available.

#### (i) **Commitments and contingent liabilities in respect of a joint venture and associates**

	2020 HK\$'000	2019 HK\$'000
Capital contribution to a joint venture	32,026	55,815
Capital contribution to associates	143,304	150,708

There were no contingent liabilities in respect of a joint venture and associates as at 31 December 2020 (2019: same).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

## Interests in associates and a joint venture (Continued)

## (ii) Summarised financial information for a joint venture

The tables below provide summarised financial information for the joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Jiayang Canvest	
	2020 HK\$'000	2019 HK\$'000
<b>Summarised statement of profit and loss</b>		
Revenue	636,785	290,995
Income tax expenses	24,614	10,544
<b>Profit and total comprehensive income for the year</b>	<b>97,380</b>	<b>38,740</b>
<b>Summarised balance sheet</b>		
Cash and cash equivalents	29,207	10,487
Other current assets	81,806	28,343
<b>Total current assets</b>	<b>111,013</b>	<b>38,830</b>
<b>Total non-current assets</b>	<b>1,153,535</b>	<b>450,529</b>
Financial liabilities	(342,728)	(124,456)
Other current liabilities	(1,301)	(1,259)
<b>Total current liabilities</b>	<b>(344,029)</b>	<b>(125,715)</b>
Financial liabilities	(374,944)	(16,990)
Other non-current liabilities	(80,783)	(51,430)
<b>Total non-current liabilities</b>	<b>(455,727)</b>	<b>(68,420)</b>
<b>Net assets</b>	<b>464,792</b>	<b>295,224</b>
Group's share (in %)	50%	50%
Group's share (in HK\$)	232,396	147,612
Goodwill	—	—
Carrying amount	232,396	147,612
<b>Reconciliation to carrying amounts:</b>		
Net assets as at 1 January	147,612	114,373
Capital contribution	21,896	16,914
Share of profit for the year	48,690	19,370
Currency translation difference	14,198	(3,045)
<b>Net assets as at 31 December</b>	<b>232,396</b>	<b>147,612</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued) Interests in associates and a joint venture (Continued)

#### (iii) Acquisition of an associate

On 30 November 2018, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Open Mind Global Limited (“Open Mind”), which is an investment holding company at the date of acquisition, at a consideration of RMB140,000,000 (equivalent to HK\$163,906,351 at transaction date). Open Mind ultimately holds 40% of the equity interest in Zhongzhou Environmental, which principally engaged in the treatment of bottom ash produced from the incineration of waste in the PRC. This transaction was completed on 30 September 2020.

The net cash outflow from acquisition of Open Mind is as follows:

	HK\$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	163,906
Cash consideration	—
Less: Cash and cash equivalents acquired	(163,906)
Deposits paid in prior years	—
Net cash outflow — investing activities	—

#### (iv) Individually immaterial associates

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The information disclosed have been amended to reflect adjustments made by the Group using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2020 HK\$'000	2019 HK\$'000
Aggregate carrying amount of individually immaterial associates	952,575	626,821
Aggregate amounts of the Group's share of profit and total comprehensive income	69,505	35,400



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

## Interests in associates and a joint venture (Continued)

## (v) Other gains, net in related to an associate

	Note	2019 HK\$'000
Loss on dilution of interest in an associate	(a)	15,289
Receivable in relation to an associate	(b)	(18,450)
		<u>(3,161)</u>

Notes:

- (a) A dilution loss of HK\$15,289,000 as a result of new shares issued by an associate for its initial public offering ("IPO") on the Main Board of the Stock Exchange on 16 October 2019 which resulted in the Group's ownership in an associate being diluted from 41% to 30.75%.
- (b) Receivable of HK\$18,450,000 from an ex-shareholder of an associate in relation to the delay of an associate's listing on the Stock Exchange ("Listing") due to the additional time required for the preparation of the Listing pursuant to an agreement reached during the year ended 31 December 2019.

## 19 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets and liabilities is as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets		
— to be settled within 12 months	4,045	5,581
— to be settled after more than 12 months	—	5,582
	<u>4,045</u>	<u>11,163</u>
Deferred income tax liabilities		
— to be settled within 12 months	16,294	11,384
— to be settled after more than 12 months	712,428	526,373
	<u>728,722</u>	<u>537,757</u>

The analysis of deferred income tax charged/(credited) to consolidated statement of profit or loss:

	2020 HK\$'000	2019 HK\$'000
Attributed to:		
— deferred income tax asset (Note 19(a))	7,408	(11,379)
— deferred income tax liabilities (Note 19(b))	89,398	76,464
	<u>96,806</u>	<u>65,085</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 19 DEFERRED INCOME TAX (Continued)

#### (a) Deferred income tax assets

	Tax losses	
	2020 HK\$'000	2019 HK\$'000
At 1 January	11,163	—
(Charged)/credited to the consolidated statement of profit or loss	(7,408)	11,379
Currency translation differences	290	(216)
As at 31 December	4,045	11,163

The deferred income tax asset relates to carried-forward tax losses of a PRC subsidiary. The Group has concluded that the deferred income tax asset will be recoverable using the estimated future taxable income based on the approved budgets for this subsidiary. The tax losses recognised will be expired in 2022.

#### (b) Deferred income tax liabilities

	Revaluation of asset HK\$'000	Service concession arrangements HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1 January 2019	211,759	168,615	11,700	392,074
(Credited)/charged to the consolidated statement of profit or loss	(10,262)	74,936	11,790	76,464
Acquisition of a subsidiary	80,227	—	—	80,227
Currency translation differences	(5,889)	(5,119)	—	(11,008)
At 31 December 2019	275,835	238,432	23,490	537,757
At 1 January 2020	275,835	238,432	23,490	537,757
(Credited)/charged to the consolidated statement of profit or loss	(13,932)	92,830	10,500	89,398
Acquisition of subsidiaries (Note 36)	60,267	—	—	60,267
Currency translation differences	20,808	20,492	—	41,300
At 31 December 2020	342,978	351,754	33,990	728,722

Deferred income tax liabilities of approximately HK\$78,721,000 as at 31 December 2020 (2019: HK\$48,447,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>		
Deposits for investments	—	528,769
Prepayments for property, plant and equipment and concession rights	648,373	89,508
Other prepayments	2,016	2,749
	<b>650,389</b>	<b>621,026</b>
<b>Current assets</b>		
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 (Note (a))	237,801	187,584
— Value-added tax recoverable	382,912	263,412
	<b>1,373,662</b>	<b>999,896</b>
	<b>2,024,051</b>	<b>1,620,922</b>

Note (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 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 20 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	2020 HK\$'000	2019 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
	536,119	357,764
Unbilled receivables (Note)	158,380	103,912
	694,499	461,676

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.

As at 31 December 2020, trade receivables of HK\$170,202,000 (2019: HK\$149,496,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
1 to 3 months	96,409	80,259
3 to 6 months	32,984	36,133
Over 6 months	40,809	33,104
	170,202	149,496

The carrying amounts of the Group's trade and bills receivables, other receivables, deposits and prepayments are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
RMB	2,023,730	1,619,300
HK\$	321	1,622
	2,024,051	1,620,922

The other classes within trade and other receivables do not contain impaired assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

**21 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS**

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020 HK\$'000	2019 HK\$'000
Contract assets:		
Receivables under service concession arrangements		
— Non-current	1,836,244	1,336,113
— Current	164,189	103,485
	<b>2,000,433</b>	<b>1,439,598</b>

Pursuant to the BOT agreements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. The receivables under service concession arrangements are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (Note 20).

**(a) Significant changes in contract assets**

The increase in receivables under service concession arrangements balances was mainly attributable to the acquisition of Zhongshan Guangye in 2020 (Note 36). The Group also applied the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment provision was made as at 31 December 2020 and 2019.

**(b) Unsatisfied performance obligations**

The following table shows unsatisfied performance obligations resulting from fixed-price long-term contracts:

	2020 HK\$'000	2019 HK\$'000
Aggregate amount of the transaction price that are partially or fully unsatisfied as at 31 December allocated to:		
(i) long-term service concession arrangements	12,695,225	12,649,323
(ii) environmental hygiene services contracts	96,164	138,269
	<b>12,791,389</b>	<b>12,787,592</b>

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include variable consideration.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 22 INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Fuel and other materials for waste treatment	15,353	6,619

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK\$207,801,000 for the year ended 31 December 2020 (2019: HK\$186,037,000).

### 23 RESTRICTED DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Restricted deposits, denominated in RMB	46,252	36,937

Restricted deposits of HK\$46,252,000 (2019: HK\$36,937,000) represents deposits pledged for BOT service concession arrangements in relation to various WTE plants. The effective interest rate on restricted deposits is 0.3%–2.07% per annum (2019: same). All of the restricted deposits are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

### 24 CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash at bank and on hand	1,493,083	936,452
Bank deposits	276,515	83,875
	<b>1,769,598</b>	<b>1,020,327</b>

As at 31 December 2020, the weighted average effective interest rate on bank deposits of the Group was (1.7%, 1% and 2.3%) for HK\$, United States dollars ("US\$") and Renminbi bank deposits respectively (as at 31 December 2019: 1.8% and 2% for HK\$ and US\$ respectively). These bank deposits had original maturity dates of three months or less.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

**24 CASH AND CASH EQUIVALENTS** (Continued)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	399,880	359,631
RMB	1,359,327	652,236
US\$	10,391	8,460
	<b>1,769,598</b>	<b>1,020,327</b>

As at 31 December 2020, the Group's cash and cash equivalents balances of approximately HK\$1,083,786,000 (2019: HK\$649,274,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

**25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES****(a) Share capital and share premium**

	2020	2019
Authorised:		
Number of ordinary shares As at 1 January and 31 December	5,000,000,000	5,000,000,000
Equivalent nominal value of ordinary shares (HK\$'000)	50,000	50,000
Issued and fully paid:		
Number of ordinary shares As at 1 January	2,440,579,169	2,454,932,169
Buy-back and cancelled shares (Note)	(1,038,000)	(14,353,000)
As at 31 December	2,439,541,169	2,440,579,169
Equivalent nominal value of ordinary shares (HK\$'000)	24,395	24,405



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (Continued)

#### (a) Share capital and share premium (Continued)

Note:

The buy-back of shares was governed by Companies Law of the Cayman Islands and Company's articles of association. For the year ended 31 December 2020 and 2019, the Company bought back its own shares through The Stock Exchange and cancelled as follows:

##### (i) Buy-back in 2019 and cancelled shares in 2020

Month of buy-back	Number of shares bought back	Price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
November 2019	1,038,000	3.42	3.15	3,477
Total expenses on shares bought back				22
Treasury shares cancelled				3,499

The shares bought back in November 2019 were cancelled on 9 January 2020, and resulted in the decrease in Company's share capital of HK\$10,000 and share premium of HK\$3,489,000.

##### (ii) Buy-back and cancelled shares in 2019

Month of buy-back	Number of shares bought back	Price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
May 2019	5,618,000	3.65	3.52	20,142
June 2019	8,735,000	3.69	3.50	31,316
	14,353,000			51,458
Total expenses on shares bought back				346
Treasury shares cancelled				51,804

These shares bought back in May and June 2019 were cancelled on 29 July 2019, and resulted in the decrease in the Company's share capital of HK\$144,000 and share premium of HK\$51,660,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (Continued)

#### (b) Other reserves

##### (i) Capital reserve

Mr. Lai Kin Man transferred 15% beneficial interest in Eco-Tech to the Group in October 2011 as a deemed capital contribution of HK\$63,041,000, being the difference between its fair value and consideration, was recognised.

On 30 June 2013, Mr. Lai Kin Man waived a payable balance of HK\$297,422,000 due from the Group. This was recognised as a deemed capital contribution during the same period.

On 30 June 2014, Best Approach Developments Limited, the immediate holding company, waived a payable balance of HK\$344,481,000 due from the Group. This was recognised as a deemed contribution during the same period.

##### (ii) Statutory reserve

Pursuant to the Articles of Association of Group's certain subsidiaries incorporated in the PRC, these subsidiaries transfer 10% of their net profit as determined in accordance with the Accounting Rules and Regulations of the PRC to their statutory reserve funds unless the statutory reserve balances of respective subsidiaries have reached 50% or more of their registered capital.

##### (iii) Other reserve

Other reserve represent difference between the fair value of consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries being acquired from non-controlling interest holders.

##### (iv) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted to employees, officers or directors of the Company or any of its subsidiaries on the date of grant under the Company's Share Option Scheme.

#### (c) Share options

On 24 April 2015, the board of the Company has granted share options to certain employees, officers and directors of the Company or any of its subsidiaries to subscribe for a total of 3,000,000 ordinary shares of the Company under the Share Option Scheme adopted on 7 December 2014. The acceptance of the grant of the share option can be made with a payment of HK\$1 from the grantee. All share options granted were accepted. All share options granted under the Share Option Scheme are exercisable in whole or in part within 10 years from the date of grant. The details of the share options granted are as follows:

— Number of share options granted	3,000,000
— Exercise price	HK\$4.39 per share
— Share option life	10 years
— Exercisable period	24 April 2015 to 23 April 2025

No share option granted was exercised or lapsed since the date of grant to 31 December 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 26 SHARES HELD UNDER SHARE AWARD SCHEME

On 3 May 2019 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain persons ("Eligible Persons"), including employees and directors of companies within the Group, and to give incentives to them in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the board of directors ("Board") of the Company, the Share Award Scheme is valid and effective for 10 years from the Adoption Date (the "Award Period").

Subject to the scheme rules of the Share Award Scheme, the Board of the Company may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Share Award Scheme as selected participants and determine the number of awarded shares to be granted and conditions as it deems appropriate, subject to the terms and conditions set out in the Share Award Scheme. The Board of the Company shall not make further award of awarded shares which will result in the nominal value of awarded shares under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Company established a trust to purchase shares of the Company and hold them a trust for the benefit of Eligible Persons. Pursuant to the rules of the Share Award Scheme, the Company has appointed a trustee, Bank of Communications Trustee Limited ("Trustee"), to administrate the Share Award Scheme and the funds and properties held under the trust during the Award Period.

Movement of shares held under Share Award Scheme for the year ended 31 December 2020 and 2019 are as follows:

Shares held under Share Award Scheme	Number of shares	Consideration HK\$'000
Balance at 1 January 2019	—	—
Purchase of shares under the Share Award Scheme on 17 July 2019	10,100,000	37,513
<b>Balance at 31 December 2019, 1 January 2020 and 31 December 2020</b>	<b>10,100,000</b>	<b>37,513</b>

No shares were granted under the Share Award Scheme and the Group do not recognised any equity-settled share-based payments in relation to the Share Award Scheme for the year ended 31 December 2020 and 2019.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 27 BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
<b>At variable interest rates</b>		
Bank borrowings, secured	9,180,284	5,296,957
Less: Amount included under non-current liabilities	(8,357,650)	(4,561,520)
Amount included under current liabilities	822,634	735,437
Unsecured bank borrowings included under current liabilities	—	80,000
Total amounts under current liabilities	822,634	815,437

The repayment terms of bank borrowings are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	822,634	815,437
Between 1 and 2 years	1,026,758	1,025,744
Between 2 and 5 years	5,158,662	2,391,517
Over 5 years	2,172,230	1,144,259
	8,357,650	4,561,520
Total bank borrowings	9,180,284	5,376,957

As at 31 December 2020, bank borrowings are secured by rights to collect revenue from power sales and waste handling services, property, plant and equipment (Note 16), intangible assets (Note 17), and corporate guarantees (Note 34) (as at 31 December 2019: rights to collect revenue from power sales, waste handling services and environmental hygiene services, property, plant and equipment (Note 16), intangible assets (Note 17), and corporate guarantees (Note 34)).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 27 BANK BORROWINGS (Continued)

The effective interest rates of bank borrowings per annum at the balance sheet date were as follows:

	2020 %	2019 %
Term loans		
— secured	2.93–8.00	4.41–6.65
— unsecured	—	3.68

The carrying amount of the Group's bank borrowings are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
RMB	6,705,293	3,918,907
HK\$	2,474,991	1,458,050
	9,180,284	5,376,957

### 28 LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities	1,073	7,867
Less: Amount included under current liabilities	(1,073)	(6,794)
Amount included under non-current liabilities	—	1,073

#### (i) The Group's leasing activities and how these are accounted for

Rental contract is typically made for fixed period of 3 years but may have extension options as described in (ii) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

**28 LEASE LIABILITIES** (Continued)**(ii) Extension and termination options**

Extension and termination options are included in the property lease across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

During the year ended 31 December 2020, total cash outflow for leases was included in the consolidated statement of cash flows in (a) interest paid under "financing activities" of HK\$203,000 (2019: HK\$485,000), (b) payment for short-term and low-value assets leases of HK\$9,295,000 under "operating activities" (2019: HK\$9,361,000), and (c) principal elements of lease payments of HK\$6,794,000 under "financing activities" (2019: HK\$6,511,000).

**29 DEFERRED GOVERNMENT GRANTS**

	2020 HK\$'000	2019 HK\$'000
Deferred government grants	211,228	113,625
Less: Amount included under current liabilities	(8,723)	(7,671)
Amount included under non-current liabilities	202,505	105,954

**30 TRADE AND OTHER PAYABLES**

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

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 30 TRADE AND OTHER PAYABLES (Continued)

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

	2020 HK\$'000	2019 HK\$'000
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
	<b>185,831</b>	<b>154,002</b>

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
RMB	1,397,874	1,303,878
HK\$	20,710	52,535
	<b>1,418,584</b>	<b>1,356,413</b>

### 31 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 approval for issue of these financial statements (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).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2020 and 2019 is as follows:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings — repayable within one year (variable interest rate)	822,634	815,437
Bank borrowings — repayable after one year (variable interest rate)	8,357,650	4,561,520
Total bank borrowings	9,180,284	5,376,957
Lease liabilities	1,073	7,867
	9,181,357	5,384,824

	Bank borrowings due within 1 year HK\$'000	Bank borrowings due after 1 year HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
<b>As at 1 January 2019</b>	511,867	3,616,936	14,378	4,143,181
Cash flows	(442,107)	1,648,516	(6,511)	1,199,898
Acquisition of a subsidiary	39,724	99,564	—	139,288
Currency translation differences	(1,973)	(84,018)	—	(85,991)
Other non-cash movements	707,926	(719,478)	—	(11,552)
<b>As at 31 December 2019</b>	815,437	4,561,520	7,867	5,384,824
<b>As at 1 January 2020</b>	815,437	4,561,520	7,867	5,384,824
Cash flows	(819,203)	3,963,438	(6,794)	3,137,441
Acquisition of subsidiaries (Note 36)	67,536	169,120	—	236,656
Currency translation differences	8,115	384,574	—	392,689
Other non-cash movements	750,749	(721,002)	—	29,747
<b>As at 31 December 2020</b>	822,634	8,357,650	1,073	9,181,357



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2020 HK\$'000	2019 HK\$'000
Net book amount (Note 16)	1,453	87
(Loss)/gain on disposals of property, plant and equipment (Note 8)	(937)	107
Proceeds from disposals of property, plant and equipment	516	194

### 33 COMMITMENTS

#### (a) Capital commitments

	2020 HK\$'000	2019 HK\$'000
Authorised but not contracted to: Construction cost for BOT	2,848,813	4,457,048
	2,848,813	4,457,048
Contracted but not provided for: Construction cost for BOT	4,650,737	1,504,347
Acquisition of subsidiaries	—	29,024
	4,650,737	1,533,371



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

### 34 FINANCIAL GUARANTEES

- (a) As at 31 December 2020, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 27) amounting to HK\$6,705,293,000 (31 December 2019: HK\$3,573,412,000).
- (b) The Group holds 49% equity interest in Dongguan Xindongyuan and accounted for as an associate in the consolidated balance sheet, which holds 30% equity interest in Dongguan Xindongqing Environmental Investment Company Limited (“Dongguan Xindongqing”). As at 31 December 2020, the Group provided a guarantee of RMB32,340,000 (approximately HK\$38,426,000) for bank loans of Dongguan Xindongqing (as at 31 December 2019: Nil).
- (c) On 6 July 2020, Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% 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.

Kewei together with the ultimate beneficial owner of Jianyang Lujiang and its 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.

- (d) The Group holds 40% equity interest in Zhongzhou Environmental, and accounted for as an associate in the consolidated balance sheet. As at 31 December 2020, Loyal Step Limited, a wholly-owned subsidiary of the Group, together with other shareholders of Zhongzhou Environmental, provided a joint and several guarantee in the aggregate amount of not exceeding of RMB90,000,000 (approximately HK\$106,938,000) for bank loan of Zhongzhou Environmental (as at 31 December 2019: Not applicable).

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 31 December 2020 and 31 December 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 35 RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

- (i) During the year ended 31 December 2020, the Group paid rental and related expenses of HK\$7,028,000 for office to a related party which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family, and was agreed by both parties (2019: HK\$6,649,000).
- (ii) During the year ended 31 December 2020, fly ash treatment services provided by an associate to the Group amounted to HK\$75,557,000 (2019: HK\$86,177,000). At as 31 December 2020, included in "Trade payables" are fly ash treatment fee payables of HK\$37,654,000 (2019: HK\$34,706,000) due to this associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.
- (iii) During the year ended 31 December 2020, sales of bottom ash to an associate amounted to HK\$1,225,000 (2019: Not applicable). As at 31 December 2020, included in "Other receivables" are receivables of HK\$935,000 due from this associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms (2019: Not applicable).

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the years ended 31 December 2020 and 2019.

#### (b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	22,715	21,447
Pension costs — defined contribution plans	101	224
Welfare and other expenses	2,623	1,855
<b>Total</b>	<b>25,439</b>	<b>23,526</b>

### 36 BUSINESS COMBINATION

#### Acquisition of Zhongshan Guangye

On 26 November 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Zhongshan Guangye at a consideration of RMB340,000,000 (equivalent to approximately HK\$379,542,000) (subject to downward adjustments). This transaction was completed on 1 January 2020 and Zhongshan Guangye became a wholly-owned subsidiary of the Group.

Zhongshan Guangye holds the BOT concession right to a WTE plant in Zhongshan City, Guangdong Province and this acquisition enable the Group to strengthen its asset base in Guangdong Province.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

**36 BUSINESS COMBINATION** (Continued)**Acquisition of Zhongshan Guangye** (Continued)

The following table summarises the consideration paid for the acquisition and the fair value of assets acquired and liabilities assumed at the acquisition date.

	At acquisition date HK\$'000
<b>Consideration paid/payable</b>	<b>379,542</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	20,821
Intangible assets — concession rights (Note 17)	532,836
Receivables under service concession arrangements	277,299
Non-current prepayments for concession rights	1,602
Property, plant and equipment (Note 16)	2,219
Trade receivables	27,881
Inventories	770
Other receivables, deposits and prepayments	6,661
Bank borrowings (Note 32)	(236,656)
Deferred government grants	(35,109)
Trade and other payables	(159,460)
Deferred income tax liabilities (Note 19)	(59,322)
<b>Total identifiable net assets</b>	<b>379,542</b>

Acquisition-related costs of HK\$385,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows for the year ended 31 December 2019.

The net cash flow in relation to the acquisition of Zhongshan Guangye is as follows:

	HK\$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Consideration paid/payable	379,542
Less: Cash and cash equivalents acquired	(20,821)
Deposits paid in prior year	(343,297)
Unpaid balance	(13,877)
Net cash outflow — investing activities	1,547

The fair value of trade receivables is HK\$27,881,000. The gross contractual amount for trade receivables due is HK\$27,881,000, none of which is expected to be uncollectible.

The revenue included in the consolidated statement of profit or loss for the period from 1 January 2020 to 31 December 2020 contributed by Zhongshan Guangye was HK\$107,003,000. Zhongshan Guangye also contributed profit of HK\$28,021,000 over the same period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 36 BUSINESS COMBINATION (Continued)

#### Acquisition of Xiangyun Shengyun

On 6 January 2020, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun at a consideration of RMB4,000,000 (equivalent to approximately HK\$4,612,000) and through capital injection of RMB14,200,000 (equivalent to approximately HK\$16,374,000). This transaction was completed on 31 October 2020 and Xiangyun Shengyun became a wholly-owned subsidiary of the Group.

Xiangyun Shengyun holds the BOT concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province and this acquisition enables the Group to strengthen its asset base in Yunnan Province.

The following table summarises the consideration paid for the acquisition and the fair value of assets acquired and liabilities assumed at the acquisition date.

	At acquisition date HK\$'000
<b>Consideration paid/payable and capital injection</b>	<b>20,986</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	3,881
Intangible assets — concession rights (Note 17)	4,448
Property, plant and equipment (Note 16)	256
Other receivables, deposits and prepayments	23,528
Trade and other payables	(10,091)
Accruals	(91)
Deferred income tax liabilities (Note 19)	(945)
<b>Total identifiable net assets</b>	<b>20,986</b>

Acquisition-related costs of HK\$146,900 have been charged to general and administrative expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows for the year ended 31 December 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

**36 BUSINESS COMBINATION** (Continued)**Acquisition of Xiangyun Shengyun** (Continued)

The net cash flow in relation to the acquisition of Xiangyun Shengyun is as follows:

	HK\$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Consideration paid	4,612
Capital injected	16,374
Less: Cash and cash equivalents acquired	(3,881)
Net cash outflow — investing activities	17,105

No revenue was included in the consolidated statement of profit or loss for the period from 31 October 2020 to 31 December 2020 contributed by Xiangyun Shengyun. Xiangyun Shengyun contributed loss of HK\$218,000 over the same period.

Had Xiangyun Shengyun been consolidated from 1 January 2020, the consolidated statement of profit or loss of the Group would show pro-forma revenue of HK\$4,987,906,000 and profit of HK\$1,056,756,000 for the year ended 31 December 2020.

**37 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 carparks 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.

- (d) In March 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interests of Yanxin Smart Parking (Shenzhen) Company Limited ("Yanxin") at a consideration of RMB6,100,000. Yanxin owns the management rights of certain carparks located in Yu County, Hebei Province. At the date of approval for issue of these financial statements, the transaction has not been completed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	5,689,523	5,006,625
<b>Current assets</b>		
Prepayment and other receivables	917	694
Cash and cash equivalents	666,896	361,962
	667,813	362,656
<b>Total assets</b>	6,357,336	5,369,281
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	24,395	24,405
Share premium (Note 38(b))	2,640,551	2,644,040
Other reserves (Note 38(b))	1,061,359	1,057,860
Retained earnings (Note 38(b))	136,654	163,527
<b>Total equity</b>	3,862,959	3,889,832
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bank borrowings	2,387,685	1,260,665
<b>Current liabilities</b>		
Bank borrowings	87,307	197,386
Other payables	16,105	19,185
Amounts due to subsidiaries	3,280	2,213
	106,692	218,784
<b>Total liabilities</b>	2,494,377	1,479,449
<b>Total equity and liabilities</b>	6,357,336	5,369,281
<b>Net current assets</b>	561,121	143,872
<b>Total assets less current liabilities</b>	6,250,644	5,150,497

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf.

Lee Wing Yee Loretta  
Director

Lai Chun Tung  
Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

#### (b) Reserve movement of the Company

	Share premium HK\$'000	Treasury shares HK\$'000	Capital reserve HK\$'000 (Note (i))	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Balance at 1 January 2019</b>	2,695,700	—	1,055,525	5,834	66,722	3,823,781
Dividend approved and paid in respect of the previous year (Note 31)	—	—	—	—	(66,283)	(66,283)
Interim dividend declared and paid (Note 31)	—	—	—	—	(78,099)	(78,099)
Buy-back of ordinary shares (Note 25)	(51,660)	(3,499)	—	—	—	(55,159)
Profit for the year	—	—	—	—	241,187	241,187
<b>Balance at 31 December 2019</b>	<b>2,644,040</b>	<b>(3,499)</b>	<b>1,055,525</b>	<b>5,834</b>	<b>163,527</b>	<b>3,865,427</b>
<b>Balance at 1 January 2020</b>	<b>2,644,040</b>	<b>(3,499)</b>	<b>1,055,525</b>	<b>5,834</b>	<b>163,527</b>	<b>3,865,427</b>
Dividend approved and paid in respect of the previous year (Note 31)	—	—	—	—	(100,021)	(100,021)
Interim dividend declared and paid (Note 31)	—	—	—	—	(90,264)	(90,264)
Cancellation of ordinary shares bought back in previous year (Note 25)	(3,489)	3,499	—	—	—	10
Profit for the year	—	—	—	—	163,412	163,412
<b>Balance at 31 December 2020</b>	<b>2,640,551</b>	<b>—</b>	<b>1,055,525</b>	<b>5,834</b>	<b>136,654</b>	<b>3,838,564</b>

Note (i): The capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Company for the acquisition of subsidiaries pursuant to the reorganisation completed in 2014.



## FINANCIAL SUMMARY

### CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>ASSETS</b>					
Non-current assets	15,652,781	11,299,503	8,897,623	7,287,363	5,088,641
Current assets	3,369,054	2,167,264	2,020,629	1,971,574	972,263
<b>Total assets</b>	<b>19,021,835</b>	<b>13,466,767</b>	<b>10,918,252</b>	<b>9,258,937</b>	<b>6,060,904</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Total equity</b>	<b>7,419,421</b>	<b>6,022,707</b>	<b>5,294,557</b>	<b>4,890,306</b>	<b>2,723,043</b>
Non-current liabilities	9,295,741	5,388,657	4,285,359	3,332,949	2,479,209
Current liabilities	2,306,673	2,055,403	1,338,336	1,035,682	858,652
<b>Total liabilities</b>	<b>11,602,414</b>	<b>7,444,060</b>	<b>5,623,695</b>	<b>4,368,631</b>	<b>3,337,861</b>
<b>Total equity and liabilities</b>	<b>19,021,835</b>	<b>13,466,767</b>	<b>10,918,252</b>	<b>9,258,937</b>	<b>6,060,904</b>



## FINANCIAL SUMMARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	4,987,906	3,952,216	3,325,894	2,397,531	1,653,552
Cost of sales	(3,442,782)	(2,686,690)	(2,228,802)	(1,578,867)	(1,064,263)
<b>Gross profit</b>	<b>1,545,124</b>	1,265,526	1,097,092	818,664	589,289
General and administrative expenses	(325,363)	(241,915)	(228,299)	(164,701)	(122,904)
Other income	211,828	155,317	130,290	106,596	82,593
Other gains/(losses), net	47,767	(7,832)	(8,830)	(11,406)	(1,626)
<b>Operating profit</b>	<b>1,479,356</b>	1,171,096	990,253	749,153	547,352
Interest income	10,747	7,094	6,146	6,438	4,426
Interest expense	(351,389)	(211,277)	(176,136)	(112,010)	(88,905)
Share of net profits of associates and a joint venture	118,195	54,770	32,004	—	—
<b>Profit before income tax</b>	<b>1,256,909</b>	1,021,683	852,267	643,581	462,873
Income tax expenses	(199,726)	(129,632)	(97,912)	(79,334)	(62,855)
<b>Profit for the year</b>	<b>1,057,183</b>	892,051	754,355	564,247	400,018
<b>Attributable to:</b>					
Equity holders of the Company	1,053,790	892,622	754,364	564,247	400,018
Non-controlling interests	3,393	(571)	(9)	—	—
<b>Earnings per share</b> (expressed in HK cents per share)					
— Basic	43.4	36.6	30.7	24.0	19.8
— Diluted	43.4	36.6	30.7	24.0	19.8



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Lee Wing Yee Loretta  
(Chairlady and Executive Director)

Mr. Lai Kin Man  
(Deputy Chairman and Executive Director)

Mr. Yuan Guozhen  
(Chief Executive Officer and Executive Director)

Mr. Lai Chun Tung (Executive Director)

#### Non-Executive Directors

Mr. Feng Jun

Mr. Lui Ting Cheong Alexander

#### Independent Non-executive Directors

Professor Sha Zhenquan

Mr. Chan Kam Kwan Jason

Mr. Chung Wing Yin

Mr. Chung Kwok Nam

### BOARD COMMITTEES

#### Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)

Professor Sha Zhenquan

Mr. Chung Wing Yin

#### Remuneration Committee

Professor Sha Zhenquan (Chairperson)

Mr. Chan Kam Kwan Jason

Mr. Chung Wing Yin

#### Nomination Committee

Mr. Chung Wing Yin (Chairperson)

Professor Sha Zhenquan

Mr. Chan Kam Kwan Jason

#### Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)

Ms. Lee Wing Yee Loretta

Professor Sha Zhenquan

Mr. Chung Wing Yin

### COMPANY SECRETARY

Ms. Wong Ling Fong Lisa (HKICPA)

### AUTHORISED REPRESENTATIVES

Ms. Lee Wing Yee Loretta

Ms. Wong Ling Fong Lisa

### AUDITORS

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

### LEGAL ADVISORS

*as to Hong Kong law:*  
King & Wood Mallesons

*as to PRC law:*  
King & Wood Mallesons  
Jingtian & Gongcheng

*as to BVI and Cayman Islands law:*  
Maples and Calder

### PRINCIPAL BANKERS

Dongguan Rural Commercial Bank Co. Ltd.  
The Hong Kong and Shanghai Banking  
Corporation Limited

### REGISTERED OFFICE

PO Box 309, Ugland House,  
Grand Cayman, KY1-1104,  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6803B, 68/F.,  
International Commerce Centre,  
1 Austin Road West,  
Kowloon,  
Hong Kong

### PRINCIPAL PLACE OF BUSINESS IN PRC

Level 24,  
Canvest Tower,  
2 San Yuan Road,  
Nan Cheng District, Dongguan City,  
Guangdong, PRC



## CORPORATE INFORMATION

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman Limited)  
PO Box 1093, Boundary Hall,  
Cricket Square, Grand Cayman,  
KY1-1102, Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 54, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### LISTING INFORMATION

#### Equity Securities Listing

The Company's ordinary shares are listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 1381) and it has been selected as one of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect.

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

#### To determine the shareholders' entitlement to the final dividend

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

### INVESTOR RELATIONS

E-mail : [info@canvest.com.hk](mailto:info@canvest.com.hk)  
Telephone : (852) 2668 6596  
Facsimile : (852) 2668 6597

### WEBSITE

[www.canvestenvironment.com](http://www.canvestenvironment.com)

## CORPORATE INFORMATION

### 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](http://www.canvestenvironment.com)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://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.

### PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also 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)).

For environmental protection reason, the Company encourages Shareholders to view the contents of this annual report posted on the aforesaid websites.

## GLOSSARY

AGM	Annual general meeting
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
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
BOO	build-own-operate, a project model in which a private entity builds, owns and operates their facilities and assets with no obligation to transfer their ownership of their relevant facilities and assets to any specified parties at any specified time
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
BVI	the British Virgin Islands
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
Canvest Yuezhan	Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as “Yuezhan Environmental Investment (Guangdong) Company Limited”)** (粵豐粵展環保投資(廣東)有限公司) (formerly known as 粵展環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It holds approximately 73.9% equity interest in Shanghai Shengong Environmental Protection Co., Ltd.** (上海神工環保股份有限公司)
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
Century Rise	Century Rise Development Limited (誠朗發展有限公司), a company incorporated under the laws of BVI on 6 January 2012 with limited liability and a controlling shareholder of the Company
Changning	Hengyang Canvest Environmental Construction Power Company Limited** (衡陽粵豐環建電力有限公司), a company incorporated in the PRC with limited liability and the Group holds 55% equity interest of it
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

## GLOSSARY

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
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
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
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
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
Hungyuan	Datong Canvest Environmental Power Company Limited** (大同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
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

## GLOSSARY

Jiayang Canvest or Jiayang	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
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** (黔東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 Kewei 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
Mr. CT Lai	Mr. Lai Chun Tung (黎俊東), an executive Director

## GLOSSARY

Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and deputy chairman
Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady
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
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
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

## GLOSSARY

Taizhou	Taizhou Canvest Environmental Power Company Limited** (泰州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
True Victor	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL
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
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust
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
Yingkou	Yingkou Canvest Power Environmental Company Limited** (營口粵豐電力環保有限公司), a company incorporated in the PRC with limited liability and an indirect non-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

## GLOSSARY

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 Guangye or Zhongshan	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