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**CANVEST ENVIRONMENTAL PROTECTION GROUP
COMPANY LIMITED**

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

HIGHLIGHTS

| Financial Highlights | For the year ended 31 December | | Change |
|---|---|-------------|---------------|
| | 2014 | 2013 | |
| Revenue (<i>HK\$'000</i>) | 793,967 | 390,173 | +103.5% |
| Among: Revenue from power sales and waste treatment (<i>HK\$'000</i>) | 541,946 | 390,173 | +38.9% |
| Gross profit (<i>HK\$'000</i>) | 342,321 | 202,636 | +68.9% |
| EBITDA (<i>HK\$'000</i>) | 407,985 | 221,045 | +84.6% |
| Profit for the year (<i>HK\$'000</i>) | 208,359 | 130,969 | +59.1% |
| Profit for the year (excluding one-off listing expenses) (<i>HK\$'000</i>) | 241,426 | 134,124 | +80.0% |
| Profit attributable to equity holders of the Company (<i>HK\$'000</i>) | 191,038 | 130,969 | +45.9% |
| Basic earnings per share (<i>HK cents</i>) | 12.7 | 8.7 | +46.0% |

Operational Highlights

- During the year, the Group implemented innocuous treatment of waste volume amounted to 1,320,189 tonnes. The Group generated 598,672,000 kWh from green energy, saving 239,468.8 tonnes of standard coal and emission reduction of carbon dioxide, amounted to 646,565.8 tonnes.
- The Group completed the acquisition of China Scivest waste-to-energy plant in January 2014.
- Eco-Tech waste-to-energy plant commenced technological upgrade since April 2014 and expects to re-commence trial operation in the third quarter of 2015.
- Zhanjiang waste-to-energy plant was under development and expects to commence trial operation in the third quarter of 2015.
- In January 2015, the Group received a notice from the Dongguan Municipal Administration informing that Eco-Tech might expand the daily municipal solid waste processing capacity by an additional 1,500 tonnes, on top of the 1,800 tonnes upon the completion of the technological upgrade currently in progress.
- The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 29 December 2014.
- As at 31 December 2014, the total cash and cash equivalents of the Group were HK\$1,328.2 million.

CHAIRLADY'S STATEMENT

RESULTS

During the year, with determination, enthusiasm and endeavour of the management and operational teams, the Group was able to achieve good results. The Group's revenue and gross profit were HK\$794.0 million and HK\$342.3 million, representing an increase of 103.5% and 68.9%, respectively, from last year. Profit attributable to equity holders of the Company was HK\$191.0 million, representing an increase of 45.9% from last year. Overall gross profit margin and net profit margin were 43.1% and 26.2% respectively.

After taking into account factors including the requirements of business development of the Group and the listing of shares of the Company on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in December 2014, the board of directors (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2014 to Shareholders.

BUSINESS REVIEW

The economy of the People's Republic of China (the "PRC") maintained a steady growth during the year. The persistent focus on and support to the development of renewable energy from the PRC government, including the adoption of the Environmental Protection Law of the People's Republic of China (2014 Amendment) by the Standing Committee of the National People's Congress on 24 April 2014 and the favourable policies on renewable energy on, amongst others, waste-to-energy ("WTE") projects, all contributed to the shaping of a positive business environment for the Group.

In respect of business development, the Group completed the acquisition of Dongguan China Scivest Environmental Power Company Limited ("China Scivest") in January 2014, which further enhanced our waste processing capacity. In addition, the Group commenced the technological upgrade of the WTE plant owned by Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech"), which involved, among others, the replacement of fluidised bed technology with moving grate technology. As a result, the daily municipal solid waste ("MSW") processing capacity of the Eco-Tech WTE plant will increase from 1,200 tonnes to 1,800 tonnes, and Eco-Tech WTE plant will be able to enhance its operational efficiency and profitability and fulfill new and more stringent environmental standards that might be imposed on WTE plants in the future. Moreover, the construction work of the Group's WTE plant in Zhanjiang is in progress.

In January 2015, the Group received a notice from Dongguan Municipal Administration that Eco-Tech might expand the daily MSW processing capacity of its WTE plant by an additional 1,500 tonnes, on top of the 1,800 tonnes upon the completion of the technological upgrade currently in progress.

Furthermore, two wholly-owned subsidiaries of the Group, namely Dongguan Kewei Environmental Power Company Limited ("Kewei") and China Scivest, were listed as "Recommended enterprise for construction and operation of daily waste incineration treatment projects of Guangdong Province (1st batch)" (廣東省生活垃圾焚燒處理項目建設和運營企業推薦名錄(第一批)) by the Department of Housing and Urban-Rural Development of

Guangdong Province (廣東省住房和城鄉建設廳), which demonstrates that the operation management, technologies and processes level as well as the comprehensive evaluation of the Group were well recognised.

In respect of financing arrangement, three pre-IPO strategic investors, namely AEP Green Power Limited, Chatsworth Asset Holding Ltd. and Wise Power Investment Limited, had been successfully introduced to the Group in May 2014. The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange in December 2014, raising net proceeds of HK\$1,068.5 million. As part of the Company's initial public offering, three cornerstone investors, Thrive Bloom Limited, Guangxi Beibu Gulf Industrial Investment Fund (Limited Partnership) and North Industries Group Investment Management Company Limited were introduced to the Group. All these are expected to boost the brand and corporate image of the Group, broaden its shareholder base and provide greater flexibility for financing. The Group believes the introduction of the abovementioned investors and the listing on the Main Board of the Hong Kong Stock Exchange will lay a solid foundation for the business development of the Group in the future.

GOOD CORPORATE GOVERNANCE

The Group believes that good corporate governance can improve corporate transparency, enable stakeholders to be fully informed of the management and development of the Group, and to enhance shareholders' value. Accordingly, in compliance with the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules") and the regulations, the Group maintains effective two-way communication with commercial banks, investment banks, investors, analysts and media for cementing good and stable long-term relationships with these parties.

A RESPONSIBLE CORPORATE CITIZEN

The Group actively takes up its responsibility as a corporate citizen, as social responsibility and operational efficiency have long been the key elements of our business philosophy. Through comprehensive utilisation of resources by turning waste into energy, we aim to achieve reduction in quantity, elimination of hazards and recycling of MSW, so that waste could be used as green energy for the community. Not only could it be applied as an effective means to enhance the competitiveness of local economies, it could also be made an important contribution to energy saving and emission reduction and bring social and environmental benefits.

During the year, the Group fulfilled its social responsibility and made contribution to national environmental protection by implementing innocuous treatment of waste volume amounted to 1,320,189 tonnes, power generation from green energy amounted to 598,672,000 kWh, saving 239,468.8 tonnes of standard coal and emission reduction of carbon dioxide amounted to 646,565.8 tonnes.

In addition, the Group encourages our personnel to practice low carbon living and actively promotes environmental education. Apart from welcoming local and overseas delegations for visits and exchange of ideas, our plants also welcome the public and students to visit regularly in order to help them grasp a better understanding of the business of the Group and raise public awareness on WTE. Through these promotional activities, the public will learn about innocuous treatment of waste and conservation of resources for power generation.

OUTLOOK AND STRATEGIES

With sustained and steady growth expected from the PRC's economy in 2015, continued rising household income and the implementation of urbanisation policy, it is expected that regional demand for innocuous treatment of waste will continue to grow. Overtime the PRC government has become increasingly stringent on the regulations of environmental protection. In particular, the Ministry of Environmental Protection (環境保護部) and General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) of the PRC had issued the new "Standard for Pollution Control on the Municipal Solid Waste Incineration" (生活垃圾焚燒污染控制標準) and required strict compliance of this standard by new WTE plants and existing WTE plants starting from 1 January 2016. The Group is of the view that the WTE industry is striding towards a healthy and steady development.

In response to the abovementioned development opportunities within the market, the Group will expand its WTE business through developing new projects or by way of seeking acquisition opportunities.

In respect of acquisition, the Group plans to acquire WTE plants adopting fluidised bed incineration technology, or those WTE plants which are poorly managed, fall short of technical expertise and/or of lower operational efficiency. Following acquisition of these WTE plants, we would seek to make improvement to them by leveraging on our technical expertise and management experience, and we will operate them with the same standard as that of our existing WTE plants.

In addition to expanding our WTE business, the Group will also enrich its business portfolio by providing consultation services to other WTE enterprises. With regard to internal development, the Group will seek all appropriate measures to enhance our operational efficiency and financial performance, and to improve our recruitment and training programs, in order to lay a solid foundation for rapid development in the future.

The Group commits that while expanding our business, we will continue to dedicate to charity work, so as to fulfill our responsibility as a corporate citizen and contribute to our society.

APPRECIATION

On behalf of the Board, I would like to express our deepest gratitude to all of our shareholders and all parties for their continued support, and to our staff for their devotion to Canvest's development.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 23 March 2015

CONSOLIDATED INCOME STATEMENT

| | <i>Note</i> | Year ended 31 December | |
|-------------------------------------|-------------|-------------------------|-------------------------|
| | | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
| Revenue | 2 | 793,967 | 390,173 |
| Cost of sales | | <u>(451,646)</u> | <u>(187,537)</u> |
| Gross profit | | 342,321 | 202,636 |
| General and administrative expenses | | (96,723) | (41,739) |
| Other income | 3 | 51,467 | 14,039 |
| Other gain/(loss), net | 4 | 381 | (725) |
| | | <u>297,446</u> | <u>174,211</u> |
| Operating profit | | 297,446 | 174,211 |
| Interest income | 5 | 5,525 | 908 |
| Interest expense | 5 | (67,334) | (26,769) |
| | | <u>(61,809)</u> | <u>(25,861)</u> |
| Interest expense, net | | (61,809) | (25,861) |
| Profit before income tax | | 235,637 | 148,350 |
| Income tax expense | 6 | (27,278) | (17,381) |
| Profit for the year | | 208,359 | 130,969 |
| | | <u>208,359</u> | <u>130,969</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 191,038 | 130,969 |
| Non-controlling interests | | 17,321 | – |
| | | <u>208,359</u> | <u>130,969</u> |
| Earnings per share | | | |
| — basic (expressed in HK cents) | 7 | 12.7 | 8.7 |
| — diluted (expressed in HK cents) | 7 | 12.7 | N/A |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|-------------------------------|-----------------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | <u>208,359</u> | <u>130,969</u> |
| Other comprehensive (loss)/income: | | |
| Items that have been reclassified or may be subsequently reclassified to profit or loss | | |
| Currency translation differences | (1,253) | 19,804 |
| Fair value gain on revaluation of available-for-sale financial assets | – | 203 |
| Realisation of revaluation reserve upon disposal of available-for-sale financial assets | <u>(203)</u> | <u>–</u> |
| Other comprehensive (loss)/income for the year, net of tax | <u>(1,456)</u> | <u>20,007</u> |
| Total comprehensive income for the year | <u><u>206,903</u></u> | <u><u>150,976</u></u> |
| Attributable to: | | |
| Equity holders of the Company | 189,784 | 149,672 |
| Non-controlling interests | <u>17,119</u> | <u>1,304</u> |
| Total comprehensive income for the year | <u><u>206,903</u></u> | <u><u>150,976</u></u> |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|------|-------------------------|-------------------------|
| | | 2014 | 2013 |
| | Note | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | | 167,087 | 170,696 |
| Property, plant and equipment | | 530,272 | 472,428 |
| Intangible assets | | 1,270,663 | 180,886 |
| Long-term deposits and prepayments | 8 | 113,126 | 27,312 |
| Gross amount due from a customer for contract work | | 119,914 | – |
| | | <u>2,201,062</u> | <u>851,322</u> |
| Current assets | | | |
| Inventories | | 507 | 1,579 |
| Trade receivables | 8 | 70,967 | 68,273 |
| Deposits, prepayments and other receivables | 8 | 32,391 | 90,081 |
| Available-for-sale financial assets | | – | 45,991 |
| Income tax recoverable | | 1,215 | – |
| Restricted deposits | | 6,338 | 6,360 |
| Short-term bank deposits | | 126,764 | 127,189 |
| Cash and cash equivalents | | 1,328,172 | 49,803 |
| | | <u>1,566,354</u> | <u>389,276</u> |
| Total assets | | <u><u>3,767,416</u></u> | <u><u>1,240,598</u></u> |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 20,000 | – |
| Reserves | | 2,294,992 | 675,947 |
| | | <u>2,314,992</u> | <u>675,947</u> |
| Non-controlling interests | | 102,972 | 85,853 |
| Total equity | | <u>2,417,964</u> | <u>761,800</u> |

| | | As at 31 December | |
|--|-------------|--------------------------|------------------|
| | | 2014 | 2013 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 776,110 | 293,807 |
| Deferred government grants | | 71 | 84 |
| Deferred income tax liabilities | | 104,442 | 30,573 |
| Other non-current liabilities | | 1,316 | – |
| | | <u>881,939</u> | <u>324,464</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 212,663 | 63,562 |
| Borrowings | | 252,576 | 87,760 |
| Current income tax liabilities | | 2,274 | 3,012 |
| | | <u>467,513</u> | <u>154,334</u> |
| Total liabilities | | <u>1,349,452</u> | <u>478,798</u> |
| Total equity and liabilities | | <u>3,767,416</u> | <u>1,240,598</u> |
| Net current assets | | <u>1,098,841</u> | <u>234,942</u> |
| Total assets less current liabilities | | <u>3,299,903</u> | <u>1,086,264</u> |

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of Canvest Environmental Protection Group Company Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of HKFRS 15.

The Group is yet to assess HKFRS 9 and HKFRS 15's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 and HKFRS 15 when completed by the Board.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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

2 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2014, the Executive Directors consider that the Group's operations are operated and managed as a single segment — waste-to-energy project construction and operation (2013: same). No separate segment information was presented.

The Group is mainly domiciled in the PRC. All of the Group's revenue are generated in the PRC and its non-current assets are mainly located in the PRC during the years ended 31 December 2014 (2013:same).

An analysis of the Group's revenue during the year ended 31 December 2014 and 2013 is as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Revenue from power sales | 349,149 | 261,737 |
| Waste treatment fee | 192,797 | 128,436 |
| Construction revenue arising from build-operate-transfer (“BOT”) arrangement | 247,763 | – |
| Finance income arising from BOT arrangement | 4,258 | – |
| | <u>793,967</u> | <u>390,173</u> |

Expenses by nature

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Coal | 19,421 | 56,209 |
| Fuel | 905 | 957 |
| Maintenance cost | 26,583 | 13,804 |
| Environmental protection expenses | 48,458 | 33,000 |
| Auditor's remuneration | 1,596 | 108 |
| Employee benefit expense | 67,958 | 45,324 |
| Depreciation and amortisation | | |
| — Land use rights | 3,966 | 3,866 |
| — Property, plant and equipment | 35,843 | 42,060 |
| — Intangible assets | 65,205 | – |
| Operating lease rentals | 3,505 | 3,476 |
| Reversal of provision for impairment of trade receivables | (4,164) | – |
| Construction cost recognised for construction of BOT projects (included in cost of sales) | 206,469 | – |
| Professional expenses incurred in connection with listing | 33,067 | 3,155 |
| | <u>33,067</u> | <u>3,155</u> |

3 OTHER INCOME

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Value-added tax refund (<i>Note</i>) | 48,138 | 9,041 |
| Government grants | 137 | 733 |
| Others | 3,192 | 4,265 |
| | <u>51,467</u> | <u>14,039</u> |

Note: 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.

4 OTHER GAIN/(LOSS), NET

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Exchange gain/(loss), net | 3,126 | (707) |
| Write-off/loss on disposals of property, plant and equipment | (9,949) | (18) |
| Reversal of provision (<i>Note</i>) | 7,204 | – |
| | <u>381</u> | <u>(725)</u> |

Note: The amount represents reversal of provision for expenses to be incurred as a result of delay in obtaining certain land and construction-related certificates and permits in prior years.

5 INTEREST INCOME AND EXPENSE

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest expense on borrowings | | |
| — wholly repayable within five years | (29,844) | (26,769) |
| — wholly repayable over five years | (38,838) | – |
| | <u>(68,682)</u> | <u>(26,769)</u> |
| Less: amount capitalised on qualifying assets | 1,348 | – |
| | <u>(67,334)</u> | <u>(26,769)</u> |
| Interest income from bank deposits | 5,525 | 908 |
| Interest expense, net | <u>(61,809)</u> | <u>(25,861)</u> |

6 INCOME TAX EXPENSE

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Current income tax | | |
| PRC enterprise income tax ("EIT") | 18,134 | 8,658 |
| Hong Kong profits tax | – | – |
| | <hr/> | <hr/> |
| Total current income tax | 18,134 | 8,658 |
| | <hr/> | <hr/> |
| Deferred income tax | 9,144 | (13,136) |
| Withholding tax | – | 21,859 |
| | <hr/> | <hr/> |
| Income tax expense | 27,278 | 17,381 |
| | <hr/> <hr/> | <hr/> <hr/> |

Dividends declared by PRC subsidiaries to parent companies incorporated outside PRC are subject to withholding tax of 10%.

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 2014 and 2013. No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the year ended 31 December 2014 (2013: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for each of the year ended 31 December 2014 and 2013 on the assessable profits arising in or derived from the PRC except the followings:

- (i) Kewei has obtained an approval for an EIT incentive that it was fully exempted from the PRC EIT tax for three years starting from 2011 to 2013 followed by a 50% tax reduction for the ensuing three years from 2014 to 2016. Accordingly, the applicable tax rate for Kewei was 12.5% for the year ended 31 December 2014 (2013: 0%).
- (ii) China Scivest has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2013 to 2015, followed by a 50% tax exemption for the ensuing three years from 2016 to 2018. Accordingly, the applicable tax rate of China Scivest was 0% for the year ended 31 December 2014.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2014 and 2013.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2014 and 2013 have been retrospectively adjusted to reflect 1,152,381 shares and 1,498,847,619 shares issued upon the reorganisation and capitalisation, respectively, in 2014.

| | 2014 | 2013 |
|---|-------------------------|------------------|
| Profit attributable to equity holders of the Company (<i>HK\$'000</i>) | <u>191,038</u> | <u>130,969</u> |
| Weighted average number of ordinary shares in issue (<i>thousand shares</i>) | <u>1,501,110</u> | <u>1,500,000</u> |
| Basic earnings per share (<i>HK cents</i>) | <u>12.7</u> | <u>8.7</u> |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share, the over-allotment option. For the over-allotment option, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares for the period from the listing date (29 December 2014) to 31 December 2014) based on the monetary value of the subscription right attached to outstanding over-allotment option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the over-allotment option.

Diluted earnings per share for the year ended 31 December 2014 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding over-allotment option would have an anti-dilutive effect to the basic earnings per share.

8 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2014 | 2013 |
|---|-----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | | |
| Prepayments for property, plant and equipment | 111,196 | 25,382 |
| Rental deposits | <u>1,930</u> | <u>1,930</u> |
| | <u>113,126</u> | <u>27,312</u> |
| Current assets | | |
| Trade receivables | 70,967 | 72,472 |
| Less: Allowance for impairment of trade receivables | <u>–</u> | <u>(4,199)</u> |
| Trade receivables — net | <u>70,967</u> | <u>68,273</u> |
| Deposits and prepayments | 1,695 | 6,224 |
| Other receivables | 15,423 | 873 |
| Value-added tax recoverable | 15,273 | – |
| Amount due from a related party | <u>–</u> | <u>82,984</u> |
| | <u>32,391</u> | <u>90,081</u> |
| | <u>216,484</u> | <u>185,666</u> |

The credit period granted by the Group is generally 30 days. As at 31 December 2014 and 2013, the ageing analysis of trade receivables based on invoice date was as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| Up to 1 month | 25,013 | 37,808 |
| 1 to 3 months | 23,769 | 17,330 |
| 3 to 6 months | 12,152 | 9,216 |
| Over 6 months | 10,033 | 3,919 |
| | <u>70,967</u> | <u>68,273</u> |

9 TRADE AND OTHER PAYABLES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade payables | 25,696 | 18,097 |
| Accruals and other payables (<i>Note</i>) | 186,967 | 45,465 |
| | <u>212,663</u> | <u>63,562</u> |

Note: The balances mainly include accrued staff cost and other staff benefits, construction payables and VAT payable.

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| Up to 1 month | 12,643 | 10,447 |
| 1 to 2 months | 7,293 | 3,300 |
| 2 to 3 months | 2,159 | 2,753 |
| Over 3 months | 3,601 | 1,597 |
| | <u>25,696</u> | <u>18,097</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

For the year ended 31 December 2014, the Group's revenue was HK\$794.0 million (2013: HK\$390.2 million), representing an increase of 103.5% over 2013. The operating profit and profit attributable to equity holders of the Company were HK\$297.4 million (2013: HK\$174.2 million) and HK\$191.0 million (2013: HK\$131.0 million), representing an increase of 70.7% and 45.9% respectively. Profit for the year excluding one-off listing expenses amounted to HK\$241.4 million (2013: HK\$134.1 million), representing an increase of 80.0% over the last year. Basic earnings per share was HK12.7 cents (2013: HK8.7 cents), representing an increase of 46.0% over the last year.

During the year, the Group implemented innocuous treatment of waste volume amounted to 1,320,189 tonnes. The Group generated 598,672,000 kWh from green energy, saving 239,468.8 tonnes of standard coal and emission reduction of carbon dioxide amounted to 646,565.8 tonnes.

Projects

In 2014, Eco-Tech WTE plant commenced technological upgrade since April 2014 and expects to re-commence trial operation in the third quarter of year 2015. Kewei WTE plant and China Scivest WTE plant provided significant contributions to the Group in year 2014. Zhanjiang WTE plant was under development and expects to commence trial operation in the third quarter of year 2015.

The following table sets forth the operating figures of the Group's WTE plants:

| | Year ended 31 December | |
|------------------------------------|------------------------|---------|
| | 2014 | 2013 |
| Eco-Tech WTE plant (Note 3) | | |
| Waste treatment | | |
| Received MSW (tonnes) | 104,423 | 399,068 |
| Processed MSW (tonnes) (Note 1) | 107,950 | 394,480 |
| Power generation | | |
| Power generated (MWh) | 69,634 | 239,204 |
| Power sold (MWh) | 58,638 | 198,074 |
| Sales to generation ratio (Note 2) | 84.2% | 82.8% |

Year ended 31 December
2014 2013

Kewei WTE plant

Waste treatment

| | | |
|---|----------------|---------|
| Received MSW (<i>tonnes</i>) | 563,441 | 614,713 |
| Processed MSW (<i>tonnes</i>) (<i>Note 1</i>) | 540,900 | 586,641 |

Power generation

| | | |
|---|----------------|---------|
| Power generated (<i>MWh</i>) | 239,903 | 238,740 |
| Power sold (<i>MWh</i>) | 208,374 | 210,693 |
| Sales to generation ratio (<i>Note 2</i>) | 86.9% | 88.3% |

China Scivest WTE plant (*Note 4*)

Waste treatment

| | | |
|---|----------------|-----|
| Received MSW (<i>tonnes</i>) | 720,672 | N/A |
| Processed MSW (<i>tonnes</i>) (<i>Note 1</i>) | 671,339 | N/A |

Power generation

| | | |
|---|----------------|-----|
| Power generated (<i>MWh</i>) | 289,135 | N/A |
| Power sold (<i>MWh</i>) | 258,189 | N/A |
| Sales to generation ratio (<i>Note 2</i>) | 89.3% | N/A |

Notes:

- (1) Processed waste excludes leachate generated from the MSW that the Group collects.
- (2) 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.
- (3) The operations of Eco-Tech WTE Plant have been suspended for its technological upgrade since April 2014.
- (4) China Scivest was acquired in January 2014 and its results were accounted for as part of the Group's results since 1 January 2014. Therefore the business operations of China Scivest WTE plant prior to 1 January 2014 was not presented as part of the Group's operations.

Revenue

In year 2014, the Group's revenue reached HK\$794.0 million, representing an increase of 103.5% when compared with HK\$390.2 million in year 2013. It was mainly attributable to the acquisition of China Scivest WTE plant in January 2014, construction revenue relating to BOT projects of Zhanjiang WTE plant and was partially offset by a reduction of power sales and waste treatment by the Eco-Tech WTE plant following its suspension for technological upgrade in April 2014.

Revenue was mainly generated from the power sales generated from the WTE plants, waste treatment fees collected from the MSW providers and the construction revenue and finance income relating to service concession arrangement from the Zhanjiang WTE plant.

The following table sets forth the breakdown of the revenue for the year ended 31 December 2014 and 2013:

| | Year ended 31 December | | | |
|---|------------------------|---------------|----------------|---------------|
| | 2014 | | 2013 | |
| | HK\$'000 | % | HK\$'000 | % |
| Revenue from power sales | 349,149 | 44.0% | 261,737 | 67.1% |
| Revenue from waste treatment fees | 192,797 | 24.3% | 128,436 | 32.9% |
| Construction revenue arising from BOT arrangement | 247,763 | 31.2% | – | – |
| Finance income arising from BOT arrangement | 4,258 | 0.5% | – | – |
| Total | 793,967 | 100.0% | 390,173 | 100.0% |

The following table sets forth the revenue generated for each of the WTE plants for the year ended 31 December 2014 and 2013:

| | Year ended 31 December | | | |
|-------------------------|------------------------|---------------|----------------|---------------|
| | 2014 | | 2013 | |
| | HK\$'000 | % | HK\$'000 | % |
| Eco-Tech WTE plant | 50,761 | 6.4% | 171,787 | 44.0% |
| Kewei WTE plant | 219,976 | 27.7% | 218,386 | 56.0% |
| China Scivest WTE plant | 271,209 | 34.2% | N/A | N/A |
| Zhanjiang WTE plant | 252,021 | 31.7% | – | – |
| Total | 793,967 | 100.0% | 390,173 | 100.0% |

Cost of sales

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

During the year, cost of sales increased by 140.8% to HK\$451.6 million in 2014 from HK\$187.5 million in 2013. It is mainly attributable to the increase in production volume as well as related cost of sales as a result of the acquisition of the China Scivest WTE plant in January 2014 and construction cost incurred on BOT project. Construction cost is amounted to HK\$206.5 million, representing 45.7% of the total cost of sales.

Gross profit and gross profit margin

In 2014, gross profit of the Group amounted to HK\$342.3 million, representing an increase of 68.9% as compared to HK\$202.6 million in 2013. The increase is mainly attributable to the contribution from the operation of China Scivest WTE plant in January 2014.

Gross profit margin decreased from 51.9% in 2013 to 43.1% in 2014. The decrease was due to the profit margin of the construction income from Zhanjiang WTE plant is generally lower, when compared with the gross profit margin from the power sales and waste treatment by waste incineration which is generally higher.

The following table sets forth the breakdown of the gross profit by nature for the year ended 31 December 2014 and 2013:

| | Year ended 31 December | | | |
|--|-------------------------------|----------------------|-----------------------|----------------------|
| | 2014 | | 2013 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| Power sales and waste treatment operations | 296,769 | 86.7% | 202,636 | 100.0% |
| Construction service from BOT arrangement | 41,294 | 12.1% | – | – |
| Finance income from BOT arrangement | 4,258 | 1.2% | – | – |
| Total | <u>342,321</u> | <u>100.0%</u> | <u>202,636</u> | <u>100.0%</u> |

The following table sets forth the gross profit margin by nature for the year ended 31 December 2014 and 2013:

| | Year ended 31 December | |
|--|-------------------------------|----------------------------|
| | 2014 | 2013 |
| | <i>Gross profit margin</i> | <i>Gross profit margin</i> |
| Power sales and waste treatment operations | 54.8% | 51.9% |
| Construction service from BOT arrangement | 16.7% | – |
| Finance income from BOT arrangement | 100.0% | – |
| Gross profit margin of the Group | <u>43.1%</u> | <u>51.9%</u> |

General and administrative expenses

General and administrative expenses mainly comprise employee benefit expenses for administrative personnel, promotion, entertainment and travelling expenses, depreciation, rental expenses for offices, listing expenses, security expenses, office expenses and others.

During the year, general and administrative expenses increased by 131.7% from HK\$41.7 million in year 2013 to HK\$96.7 million in year 2014. It is mainly due to the listing expenses amounted to HK\$33.1 million incurred during year 2014.

Other income

Other income mainly consisted of value-added tax (“VAT”) refund, government grants and others. During the year, other income increased by 266.6% from HK\$14.0 million in year 2013 to HK\$51.5 million in year 2014. According to the relevant VAT preferential policies, tax payers could enjoy VAT refund after obtaining the Accreditation Certificate of Comprehensive Utilisation of Resources after commencement of commercial operation. Eco-Tech had such certificate throughout the year 2014 and 2013, while Kewei obtained such certificate in 2013 as it only commenced commercial operation in November 2012 and the relevant refund was received in 2014. We recognised VAT refund when there is reasonable assurance that the VAT refund will be received from the government. As we claimed and received the full amount of the VAT refund for 2013 for Kewei during year 2014, we recorded a substantial increase in VAT refund in year 2014.

Other gain/(loss), net

Other net gain/(loss) represented the net exchange gain/(loss) and others. Other net loss was HK\$0.7 million in 2013 while it recorded net gain of HK\$0.4 million in 2014. It is mainly attributable to the one-off loss on disposal of property, plant and equipment due to technological upgrade and reversal of provision of payment in relation to the delay in obtaining land and construction-related certificates and permits for the Eco-Tech WTE plant, in which the actual payment was less than the original provision made in prior year.

Interest expenses, net

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the year, the net interest expenses increased by 139.0% from HK\$25.9 million in year 2013 to HK\$61.8 million in year 2014. It is due to the increase in the average bank borrowing balance arising from the consolidation of China Scivest WTE plant.

Income tax expenses

During the year, income tax expenses increased by 56.9% from HK\$17.4 million in year 2013 to HK\$27.3 million in year 2014. It is mainly attributable to the change of applicable tax rate of Kewei WTE plant from 0% to 12.5% and the increase in deferred tax of Zhanjiang WTE plant.

Profit attributable to the equity holders of the Company

During the year, profit attributable to the equity holders of the Company increased by 45.9% from HK\$131.0 million in year 2013 to HK\$191.0 million in year 2014.

Liquidity, financial and capital resources

Financial resources

The Group generated cash from operating projects amounted to HK\$308.0 million in year 2014 (2013: HK\$233.3 million)(i.e. net cash generated from operating activities of HK\$201.6 million in 2014 (2013: HK\$220.7 million) excluding the net cash used for the construction of Zhanjiang WTE plant of HK\$106.4 million in year 2014 (2013: HK\$12.6 million)). The Group generated cash flow by the operating activities and loan facilities from banks. As at 31 December 2014, the total cash and cash equivalents of the Group were HK\$1,328.2 million (31 December 2013: HK\$49.8 million).

The Group pursues a prudent approach to balance the risk level and costs of capital. With the adequate financial resources, the Group can meet the future funding requirements for the project development.

Use of the net proceeds from the IPO

The Company raised a total of HK\$1,165.0 million of gross proceeds after the completion of the IPO in December 2014, and net proceeds amounted to HK\$1,068.5 million after deducting various professional expenses incurred in connection with the IPO. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 15 December 2014, and the respective use of the net proceeds until 31 December 2014 is as follows:

| | Available <i>HK\$'000</i> | Used <i>HK\$'000</i> | Unused <i>HK\$'000</i> |
|--|-------------------------------------|--------------------------------|----------------------------------|
| Expansion of WTE business by developing greenfield projects or acquiring existing WTE plants | 812,095 | – | 812,095 |
| Development of phase two of Zhanjiang WTE Plant | 149,596 | – | 149,596 |
| Working capital and other general corporate purposes | 106,855 | – | 106,855 |
| Total | <u>1,068,546</u> | <u>–</u> | <u>1,068,546</u> |

Borrowings

The Group is striving to diversify its funding sources to optimise the debt portfolio and lower the financing cost.

As at 31 December 2014, the Group's bank borrowings was HK\$1,028.7 million (31 December 2013: HK\$381.6 million). The Group's bank borrowings were secured by collection of revenue from power sales, land use rights, property, plant and equipment, concession right, and corporate guarantee. The borrowings are denominated in Renminbi ("RMB") and are at floating rates. Net asset of the Group was HK\$2,418.0 million (31 December 2013: HK\$761.8 million).

The following table sets forth the analysis of the borrowings as at 31 December 2014 and 2013, respectively:

| | As at 31 December | |
|--|--------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Portion of term loans due for repayment after one year — secured | 776,110 | 293,807 |
| Portion of term loans due for repayment within one year — secured | 252,576 | 87,760 |
| Total bank borrowings | <u>1,028,686</u> | <u>381,567</u> |

The following table sets forth the analysis of the long-term borrowings as at 31 December 2014 and 2013:

| | As at 31 December | |
|--|--------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Wholly repayable within five years | 432,888 | 381,567 |
| Not wholly repayable within five years | 595,798 | — |
| Total bank borrowings | <u>1,028,686</u> | <u>381,567</u> |

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2014, the gearing ratio was 35.8% (31 December 2013: 38.6%). Having considered the total cash and cash equivalents, the Group was at a net cash position as at 31 December 2014.

As of 31 December 2014, the Group had banking facilities in the amount of HK\$1,338.0 million, of which HK\$309.3 million has not been utilized.

Cost of borrowings

For the year ended 31 December 2014, the total cost of borrowings of the Group was HK\$67.3 million (2013: HK\$26.8 million), representing an increase of HK\$40.6 million. The increase was mainly attributable to the consolidation of China Scivest. The effective interest rate increased from the range of 6.08% to 6.70% in 2013 to the range of 6.08% to 7.36% in 2014.

Foreign exchange risk

The subsidiaries of the Group are mainly operating in the PRC with transactions mainly settled in RMB, being the functional currency of the subsidiaries of the Group. Moreover, certain bank deposits and bank loans were denominated in Hong Kong dollars, RMB and United States dollars. Other than the above mentioned disclosed, the Group does not have any material exposures to foreign exchange risk.

Commitments

As at 31 December 2014, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounted to HK\$942.1 million. (2013: HK\$1,042.9 million)

As at 31 December 2014, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK\$2.2 million. (2013: HK\$5.4 million)

Material acquisitions and disposal

For the year ended 31 December 2014, the Group completed the acquisition of the entire issued share capital of Swift Ample Holdings Limited at a consideration of RMB100 million on 1 January 2014.

Capital expenditures

For the year ended 31 December 2014, capital expenditure of the Group, mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounted to HK\$315.9 million (2013: HK\$9.3 million). It was mainly funded by bank borrowings, fund generated from operating activities and capital contributions from the shareholders.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2014.

Pledge of assets

As at 31 December 2014, the Group pledged certain of its collection of revenue from power sales, land use rights, property, plant and machinery, concession rights and bank deposits with an aggregate carrying amount of HK\$1,349.4 million (2013: HK\$275.9 million) to certain banks to secure certain credit facilities granted to the Group.

Human resources

As at 31 December 2014, the Group had a total of 332 employees, among which 11 were management. By geographical locations, there were 320 employees in the PRC and 12 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to the market conditions. The Group also provides medical insurance and provident fund scheme to employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014 which became effective on 29 December 2014, the listing date. Under the share option scheme and at the discretion of the Board, share options may be granted as performance incentives to any employee (including the directors). No share option was granted for the year ended 31 December 2014. For the year ended 31 December 2014, the total remuneration costs, including director's remuneration, were HK\$68.0 million (2013: HK\$45.3 million).

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2014.

EVENT AFTER THE BALANCE SHEET DATE

On 20 January 2015, Eco-Tech received a notice (《關於做好橫瀝環保熱電廠再增容項目建設工作的通知》) from the Dongguan Municipal Administration (東莞市城市綜合管理局) (the "Notice") that Eco-Tech may expand the installed daily MSW processing capacity of its WTE plant by additional 1,500 tonnes (the "Expansion") after completion of the technological upgrade which is currently in progress.

Pursuant to the Notice, the planning and design of the Expansion and the technological upgrade shall be coordinated in a systematic manner. The Expansion is subject to Eco-Tech having completed the appraisals on environmental impact in accordance with PRC regulations, and preparations on the construction work shall be conducted to ensure that environmental impact from the additional MSW processing capacity is kept to low levels. Eco-Tech will conduct feasibility studies on the proposal.

ANNUAL GENERAL MEETING

The 2015 annual general meeting of the Company (the "2015 AGM") will be held on Tuesday, 16 June 2015. Notice of the 2015 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2014, 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained at least 25% of the Company's total issued share capital by the public from 29 December 2014 to 31 December 2014 and as at the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with the Model Code for Securities Transactions by Directors of Listed Issuers as stated in the Listing Rules. After making specific enquiry, each of the Directors has confirmed to the Company that he or she had complied with the Model Code from 29 December 2014 to 31 December 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

From 29 December 2014 to 31 December 2014, the Company has complied with most of the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, save and except for code provisions A.1.1 which states that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

The Company's shares were only listed on the Main Board of the Hong Kong Stock Exchange on 29 December 2014, no meeting was held by the Board from 29 December 2014 up to 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on the Hong Kong Stock Exchange on 29 December 2014. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from 29 December 2014 up to 31 December 2014.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2014 containing all the information required under the Listing Rules will be dispatched to the Company's shareholders and will be posted on the above websites in due course.

BOARD OF DIRECTORS

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

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

Hong Kong, 23 March 2015