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 2016

HIGHLIGHTS

Financial Highlights

	For the year ended 31 December		
	2016	2015	Change
Revenue *(HK$'000)*	**1,653,552**	1,184,536	+39.6%
Among: Revenue from power sales and waste treatment *(HK$'000)*	**775,590**	581,128	+33.5%
Gross profit *(HK$'000)*	**589,289**	439,324	+34.1%
EBITDA *(HK$'000)*	**702,869**	511,844	+37.3%
Profit for the year *(HK$'000)*	**400,018**	288,895	+38.5%
Profit attributable to equity holders of the Company *(HK$'000)*	**400,018**	272,001	+47.1%
Basic earnings per share *(HK cents)*	**19.8**	13.6	+45.6%
Proposed final dividend per share *(HK cents)*	**1.6**	–	N/A
Cash generated from operating projects *(HK$'000)*(1)	**460,909**	311,530	+48.0%

Note:

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

Operational Highlights

- During the year, the Group implemented innocuous treatment of waste volume amounted to 2,369,146 tonnes. The Group generated 962,916,000 kWh from green energy, saving 338,456 tonnes of standard coal and emission reduction of carbon dioxide amounted to 843,771 tonnes.

- In January 2016, Kewei entered into an agreement in relation to the acquisition of 100% equity interest of Xingyi. It operates a WTE plant under BOT concession right in Xingyi City, Guizhou Province.

- In March 2016, Kewei was conditionally awarded the BOT concession right in relation to the Beiliu WTE plant.

- In May 2016, the Group raised net proceeds of HK$111.4 million by allotting and issuing 34,235,294 ordinary shares to Wise Power, one of the Company's pre-IPO investors and an existing shareholder.

- In August 2016, the Group entered into a management agreement with counterparties, pursuant to which the Group will be responsible for the management of the construction and operation of the Zhongshan Guangye WTE plant.

- In October 2016, Kewei was conditionally awarded the BOT concession right in relation to the Lufeng WTE plant.

- In January 2017, the Company entered into a strategic cooperation agreement with BOC & UTRUST and Utrust International.

- In February 2017, the Group announced to raise net proceeds of HK1,018.1 million by allotting and issuing 300,000,000 ordinary shares to the subsidiary of SIHL.

- In March 2017, Kewei was conditionally awarded the BOT concession right in relation to a WTE plant located in Xinyi City, Guangdong Province.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2016.

CHAIRLADY'S STATEMENT

To all honorable shareholders,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the year ended 31 December 2016 ("the year").

Reviewing China's policies supporting the Waste-to-energy industry, it is worth noting that the National Development and Reform Commission ("NDRC") has promulgated the "Plan on Urban Household Waste Treatment Facilities Construction for the 13th FYP Period" (「十三五」全國城鎮生活垃圾無害化處理設施建設規劃) in December 2016, setting higher targets for the WTE market. The national target ratio of urban household waste treatment via incineration by 2020 was raised from 31% in 2015 to 54% in 2020, and in particular, the WTE treatment target set for Guangdong Province (excluding Shenzhen) was raised significantly from 18,400 tonnes/day in 2015 to 73,000 tonnes/day in 2020, making Guangdong Province one of the highest growth potential markets for WTE treatment in China. Being the biggest non-state-owned WTE operator in Guangdong Province, we are excited to see the new growth potentials and are confident that we will directly benefit from such strong policy support.

In addition to increased market opportunities, the government has put great emphasis on the significance of sustainable development for WTE industry in China. The Ministry of Housing & Urban-Rural Development, NDRC, the Ministry of Land & Resources, and the Ministry of Environmental Protection jointly issued the "Opinion on the Enhancement of Urban Household Waste-to-Energy Work" (the "Opinion",《關於進一步加強城市生活垃圾焚燒處理工作的意見》) in October 2016. The Opinion emphasized on the importance of (1) better site selection of incineration plants; (2) higher standard for the construction of non-polluted incineration plants; (3) better coordination of project development; and (4) better management and enhanced monitoring system for WTE projects. We believe this Opinion shows the clear support and commitment of the Central Government to develop a clean and sustainable WTE industry in China.

Since listing, we have been actively seeking strategic partners to increase our competitive advantages. At the beginning of 2017, we entered into a strategic cooperation agreement with BOC & UTRUST Private Equity Fund Management (GuangDong) Co., Ltd. ("BOC & UTRUST") and Guangdong Finance Investment International Co., Limited ("Utrust International"). The parent company of Utrust International, Utrust Investment Holdings Limited ("Utrust Holdings"), is directly under the People's Government of Guangdong Province, and is managed and supported by the Department of Finance of Guangdong Province. We believe the cooperation with Utrust Holdings will increase our competitive edge, as well as add significant value to our business development and management in the Guangdong Province.

In February 2017, Canvest entered into a subscription agreement with a strategic investor, an indirect wholly-owned subsidiary of Shanghai Industrial Holdings Limited ("SIHL"), regarding the issuance of 300,000,000 new shares at a subscription price of HK$3.5 per share, amounting to approximately HK$1,018.1 million of net proceeds. Given the controlling shareholder of SIHL is the largest overseas conglomerate enterprise under the Shanghai municipal government, such establishment of the strategic partnership will facilitate Canvest's growth and development by leveraging on the projects, technique, operation and financial edges of both parties.

Financial Performance

During the year, the Group's revenue increased by 39.6% year-on-year to HK$1,653.6 million and the profit attributable to equity holders of the Company increased by 47.1% year-on-year to HK$400.0 million. The increases were mainly attributable to (i) the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, which include the commencement of operation of Eco-Tech WTE plant after the completion of technological upgrade in August 2015; and (ii) the increase in construction revenue arising from various BOT 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 HK1.6 cents per ordinary share for the year ended 31 December 2016 (2015: nil). If approved by shareholders, the total dividend of 2016 was HK2.7 cents per share.

Business Review

Canvest is one of the high growth companies in China's WTE industry. Since the listing two years ago, the number of projects has grown from 4 to 12 (including management contract project) by the end of 2016, and the secured, announced and under management daily MSW processing capacity has increased from 6,900 tonnes to 18,340 tonnes.

During the year, Canvest successfully added five projects to its project portfolio, including (1) a MSW daily processing capacity expansion project of 1,200 tonnes of China Scivest; (2) an acquisition of a WTE plant with 1,050 tonnes of MSW daily processing capacity in Xingyi City of Guizhou Province; (3) a BOT concession right of Beiliu WTE plant with 1,050 tonnes of MSW daily processing capacity; (4) Lufeng WTE plant with 1,600 tonnes of MSW daily processing capacity; and (5) a management agreement for the construction and operation of the Zhongshan Guangye WTE plant with 1,040 tonnes of MSW daily processing capacity. In total, the Group secured an additional MSW daily processing capacity of 5,940 tonnes (including management contract project) in 2016, setting a solid foundation for a sustainable and robust growth in the next 2 to 3 years.

Outlook

We foresee the WTE industry will grow significantly in the coming years, and our recent strategic partnerships and cooperation with both Utrust Holdings and SIHL have greatly enhanced our financial position as well as our project reach both in Guangdong Province and in China. To continue our journey of success, we will continue discussions with potential strategic partners. Leveraging on our solid business foundation, competitive edge in technologies and operating efficiencies, Canvest is well positioned to expand our project portfolio, further consolidate our leading position in the industry, achieve sustainable growth and maximize our shareholders' value.

The Shenzhen-Hong Kong Stock Connect, a cross-border stock trading link between Shenzhen and Hong Kong stock markets, was launched in late 2016, in which Canvest has been one of the eligible stocks. Going forward, Canvest will allocate more resources on strengthening its relationship with investors in the Mainland, continue to participate in investor meetings and conferences in order to maintain efficient communication with the investment community.

On behalf of the Board, I would like to express our deepest gratitude to our shareholders, business partners and stakeholders for their unwavering support, and also to all of our staff for their dedication and devotion.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**1,653,552**	1,184,536
Cost of sales	*3*	**(1,064,263)**	(745,212)
Gross profit		**589,289**	439,324
General and administrative expenses	*3*	**(122,904)**	(111,646)
Other income	*4*	**82,593**	49,158
Other (loss)/gain, net	*5*	**(1,626)**	4,325
Operating profit		**547,352**	381,161
Interest income	*6*	**4,426**	11,897
Interest expense	*6*	**(88,905)**	(63,271)
Interest expense, net		**(84,479)**	(51,374)
Profit before income tax		**462,873**	329,787
Income tax expense	*7*	**(62,855)**	(40,892)
Profit for the year		**400,018**	288,895
Attributable to:			
Equity holders of the Company		**400,018**	272,001
Non-controlling interests		**–**	16,894
		400,018	288,895
Earnings per share			
— basic (expressed in HK cents per share)	*8*	**19.8**	13.6
— diluted (expressed in HK cents per share)	*8*	**19.8**	13.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**400,018**	288,895
Other comprehensive loss:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**(172,366)**	(109,761)
Other comprehensive loss for the year, net of tax	**(172,366)**	(109,761)
Total comprehensive income for the year	**227,652**	179,134
Attributable to:		
Equity holders of the Company	**227,652**	162,161
Non-controlling interests	**–**	16,973
Total comprehensive income for the year	**227,652**	179,134

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Land use rights		**140,441**	153,642
Property, plant and equipment		**1,201,711**	964,989
Intangible assets		**2,630,441**	1,914,654
Long-term deposits and prepayments	*9*	**295,186**	119,892
Gross amounts due from customers for contract work	*10*	**820,862**	511,595
		5,088,641	3,664,772
Current assets			
Inventories		**761**	472
Trade and bills receivables	*9*	**114,334**	86,578
Gross amounts due from customers for contract work	*10*	**55,981**	38,026
Other receivables, deposits and prepayments	*9*	**139,307**	72,373
Restricted deposits		**42,927**	156,560
Cash and cash equivalents		**618,953**	449,136
		972,263	803,145
Total assets		**6,060,904**	4,467,917
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**20,342**	20,000
Share premium		**1,195,835**	1,084,780
Other reserves		**477,532**	542,876
Retained earnings		**1,029,334**	686,745
		2,723,043	2,334,401
Non-controlling interests		**–**	–
Total equity		**2,723,043**	2,334,401

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**1,634,549**	1,098,852
Convertible loan	*11*	**407,935**	–
Other payables	*12*	**145,333**	37,300
Deferred government grants		**36,789**	56
Other non-current liabilities		**2,954**	2,708
Deferred income tax liabilities		**251,649**	209,373
		2,479,209	1,348,289
Current liabilities			
Trade and other payables	*12*	**568,452**	461,003
Bank borrowings		**276,837**	321,043
Current income tax liabilities		**13,363**	3,181
		858,652	785,227
Total liabilities		**3,337,861**	2,133,516
Total equity and liabilities		**6,060,904**	4,467,917
Net current assets		**113,611**	17,918
Total assets less current liabilities		**5,202,252**	3,682,690

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11,
- Clarification of acceptable methods of depreciation and amortisation – Amendments to Hong Kong Accounting Standard ("HKAS") 16 and HKAS 38,
- Annual improvements to HKFRSs 2012–2014 cycle, and
- Disclosure initiative – amendments to HKAS 1.

Apart from those disclosed above, other new/revised HKFRSs that are effective for accounting periods beginning on 1 January 2016 do not have any impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 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'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK$9,580,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

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 2016, the Executive Directors consider that the Group's operations are operated and managed as a single segment – waste-to-energy ("WTE") project construction and operation (2015: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China ("PRC"). All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2016 (2015: same).

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

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue from power sales	**519,386**	376,211
Waste treatment fee	**256,204**	204,917
Construction revenue arising from build-operate-transfer ("BOT") arrangement	**843,760**	583,328
Finance income arising from BOT arrangement	**34,202**	20,080
	1,653,552	1,184,536

Revenue of approximately HK$448,485,000 is derived from the largest single customer for the year ended 31 December 2016, representing 27% of the Group's total revenue, and is attributable to revenue from power sales; approximately HK$280,272,000 is derived from the second largest customer for the year ended 31 December 2016, representing 17% of the Group's total revenue, and for which approximately HK$272,639,000 is attributable to construction revenue and approximately HK$7,633,000 is attributable to finance income; approximately HK$271,496,000 is derived from the third largest customer for the year ended 31 December 2016, representing 16% of the Group's total revenue, and is attributable to construction revenue.

Revenue of approximately HK$600,799,000 is derived from the largest single customer for the year ended 31 December 2015, representing 51% of the Group's total revenue, for which approximately HK$583,328,000 is attributable to construction revenue and approximately HK$17,471,000 is attributable to finance income; approximately HK$366,984,000 is derived from the second largest customer for the year ended 31 December 2015, representing 31% of the Group's total revenue, and is attributable to revenue from power sales.

3 EXPENSES BY NATURE

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

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Coal	**1,655**	3,378
Fuel	**811**	2,248
Maintenance cost	**48,587**	29,153
Environmental protection expenses	**85,364**	57,764
Auditor's remuneration	**2,977**	2,880
Employee benefit expense	**113,743**	84,980
Share option expenses	**–**	5,834
Depreciation and amortisation		
— Land use rights	**3,619**	3,843
— Property, plant and equipment	**70,305**	47,184
— Intangible assets	**77,167**	67,759
Operating lease rentals	**8,816**	7,238
Construction cost recognised for construction of BOT projects (included in cost of sales)	**703,131**	486,106

4 OTHER INCOME

	For the year ended 31 December	
	2016	**2015**
	HK$'000	*HK$'000*
Value-added tax refund *(Note (i))*	**39,790**	44,785
Management income *(Note (ii))*	**35,112**	–
Government grants	**533**	595
Others	**7,158**	3,778
	82,593	49,158

Note:

(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 2016 is derived from a company which the directors consist of key management personnel from the Group.

5 OTHER (LOSS)/GAIN, NET

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Exchange (loss)/gain, net	**(1,935)**	4,602
Gain/(loss) on disposals of property, plant and equipment	**309**	(277)
	(1,626)	4,325

6 INTEREST INCOME AND EXPENSE

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**(84,126)**	(80,136)
Imputed interest expenses on convertible loan	**(28,214)**	–
	(112,340)	(80,136)
Less: amount capitalised on qualifying assets	**23,435**	16,865
	(88,905)	(63,271)
Interest income from bank deposits	**4,426**	11,897
Interest expense, net	**(84,479)**	(51,374)

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current income tax		
PRC enterprise income tax	**33,454**	16,027
Hong Kong profits tax	**–**	–
Total current income tax	**33,454**	16,027
Deferred income tax	**29,401**	24,865
Income tax expense	**62,855**	40,892

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 2016 and 2015. No Hong Kong profits tax has been provided as the subsidiaries incorporated in Hong Kong have no assessable profits for the year ended 31 December 2016 (2015: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the years ended 31 December 2016 and 2015 on the assessable profits arising in or derived from the PRC except the followings:

(i) Dongguan Kewei Environmental Power Company Limited ("Kewei") has obtained an approval for an enterprise income tax ("EIT") incentive that its project was fully exempted from the PRC EIT 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 2016 (2015: 12.5%).

(ii) Dongguan China Scivest Environmental Power Company Limited ("China Scivest") has obtained an approval for an EIT incentive that its project was fully exempted from the PRC EIT for three years starting from 2013 to 2015, followed by a 50% tax reduction for the ensuing three years from 2016 to 2018. Accordingly, the applicable tax rate of China Scivest was 12.5% for the year ended 31 December 2016 (2015: 0%).

(iii) Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax reduction for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of Eco-Tech was 0% for the year ended 31 December 2016 (2015: 0%).

(iv) Zhanjiang Yuefeng Environmental Power Company Limited ("Zhanjiang Yuefeng") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2016 to 2018, followed by a 50% tax reduction for the ensuing three years from 2019 to 2021. Accordingly, the applicable tax rate of Zhanjiang Yuefeng was 0% for the year ended 31 December 2016 (2015: 25%).

(v) Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax reduction for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of Xingyi Hongda was 0% for the year ended 31 December 2016.

8 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 during the year.

	For the year ended 31 December **2016**	2015
Profit attributable to equity holders of the Company *(HK$'000)*	**400,018**	272,001
Weighted average number of ordinary shares in issue *(thousand shares)*	**2,020,766**	2,000,000
Basic earnings per share *(HK cents)*	**19.8**	13.6

(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 two (2015: two) categories of dilutive potential ordinary share: share options and convertible loan (2015: the Over-allotment Option ("Over-allotment Option") and share options). For the Over-allotment Option, management has performed a calculation 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 1 January 2015 to 16 January 2015 (date of Overallotment Option lapsed)) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. 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 Over-allotment Option and share options. The convertible loan has assumed to have been converted into ordinary shares, and the profit for the year has been adjusted to eliminate the interest expense of the convertible loan.

Diluted earnings per share for the year ended 31 December 2016 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options and convertible loan would have an anti-dilutive effect to the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the Over-allotment Option and share options would have an anti-dilutive effect to the basic earnings per share.

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Deposits for investments	**228,060**	62,067
Prepayments for property, plant and equipment	**59,883**	56,208
Rental deposits	**1,617**	1,617
Other prepayments	**5,626**	–
	295,186	119,892
Current assets		
Trade receivables	**110,980**	86,578
Bill receivables	**3,354**	–
Deposits and prepayments	**4,053**	5,686
Other receivables	**59,827**	2,190
Value-added tax recoverable	**75,427**	64,497
	253,641	158,951
	548,827	278,843

The credit period granted by the Group is generally 30 days. The ageing analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Up to 1 month	**33,841**	43,532
1 to 3 months	**41,374**	34,169
3 to 6 months	**25,943**	7,691
Over 6 months	**9,822**	1,186
	110,980	86,578

10 GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage WTE projects in the PRC for specific periods. The grantors guarantee that the Group will receive minimum annual payments under the service concession arrangement.

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits	**915,596**	553,225
Less: Billings	**(38,753)**	(3,604)
Net contract work	**876,843**	549,621
Representing:		
Gross amounts due from customers for contract work		
– Non-current	**820,862**	511,595
– Current	**55,981**	38,026
	876,843	549,621

The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements.

11 CONVERTIBLE LOAN

On 28 April 2016, International Finance Corporation ("IFC") disbursed the convertible loan in the aggregate principal amount of HK$465,012,000 to the Company. IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into fully paid ordinary shares with a par value of HK$0.01 each of the Company at any time after the date of the disbursement and prior to the maturity date. The initial conversion price is HK$3.91 per share, subject to customary adjustments as set forth in the convertible loan agreement. As at the date of this announcement, the adjusted conversion price is HK$3.89 per share.

The total net proceeds of the convertible loan of HK$457,658,000, after deducting related expenses, has been received by the Group.

The major terms and conditions of the convertible loan are as follows:

(i) Interest rate

The outstanding principal of the convertible loan bears interest at a rate of 2% per annum.

(ii) Conversion price

The conversion price is initially HK$3.91 per share, subject to customary adjustments as set forth in the convertible loan agreement. As at the date of this announcement, the adjusted conversion price is HK$3.89 per share.

(iii) Maturity date

The maturity date of the convertible loan is 27 April 2021.

(iv) Repayment

The outstanding principal amount of the convertible loan shall be repaid on the maturity date, together with the make whole premium (if any).

Make whole premium is calculated by IFC, which would yield a minimum internal rate of return for IFC on the principal amount of the convertible loan repaid or prepaid of 7% per annum, calculated from the date of the disbursement and ending on the date of such repayment.

The convertible loan was recognised as an equity component and a debt component as follows:

– equity component comprises the fair value of the option of IFC to convert the convertible loan into ordinary shares of the Company at the conversion price at any time before the maturity.

– debt component was initially recognised at its fair value, and is subsequently carried at amortised cost.

The movements of the convertible loan are set out below:

	Debt component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
For the year ended 31 December 2016			
Convertible loan disbursed on 28 April 2016	385,688	71,970	457,658
Imputed interest expense	28,214	–	28,214
Interest paid	(5,967)	–	(5,967)
As at 31 December 2016	407,935	71,970	479,905

There was no conversion of the convertible loan from 28 April 2016 (date of disbursement) to 31 December 2016.

12 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016 ***HK$'000***	2015 *HK$'000*
Non-current liabilities		
Other payables *(Note)*	**145,333**	37,300
Current liabilities		
Trade payables	**64,476**	49,642
Accruals and other payables *(Note)*	**503,976**	411,361
	568,452	461,003
	713,785	498,303

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

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Up to 1 month	**37,672**	34,192
1 to 2 months	**13,376**	2,914
2 to 3 months	**2,720**	3,187
Over 3 months	**10,708**	9,349
	64,476	49,642

13 DIVIDEND

The Board has proposed the payment of a final dividend of HK1.6 cents per ordinary share for the year ended 31 December 2016 (2015: Nil), totaling to HK$32,548,000 (2015: Nil). The amount of final dividend declared was calculated based on the number of ordinary shares in issue (i.e. 2,034,235,294 shares) at the date of this announcement (i.e. 22 March 2017).

Subject to the terms and conditions set out in the subscription agreement as disclosed in the announcement of the Company dated 17 February 2017 (the "Subscription"), and on the basis that the subscription shares are being subscribed in full, an aggregate of up to 300,000,000 new ordinary shares will be issued upon completion of the Subscription. The Company's number of issued shares will be increased up to 2,334,235,294 shares. If the Subscription proceeds and completes before the record date for determining the entitlement of the aforesaid final dividend, the holders of the Subscription shares will be entitled to the final dividend, and that the final dividend will be HK1.6 cents per ordinary share of the Company, totaling up to approximately HK$37,348,000 based on the number of issued shares of the Company after completion of the Subscription (which is 2,334,235,294 shares on the assumption that the Subscription shares are being subscribed in full).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 16 June 2017, the proposed final dividend are expected to be paid on Friday, 7 July 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2017.

The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2016.

During the year ended 31 December 2016, the Company has declared an interim dividend of HK1.1 cents per ordinary share (2015: Nil), totaling to HK$22,377,000 (2015: Nil).

14 EVENTS AFTER THE BALANCE SHEET DATE

(i) In January 2017, the Group entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST Private Equity Fund Management (GuangDong) Co., Ltd. and Guangdong Finance Investment International Co., Limited (collectively referred as "Utrust Partners"). Pursuant to the agreement, (I) Utrust Partners shall assist the Company in business expansion and sourcing of new projects, and fully support the Company in obtaining WTE projects in Guangdong Province, with the form of collaboration not limited to signing strategic cooperation agreements or memorandums of cooperation with local government authorities within Guangdong Province and other relevant parties; (II) Utrust Partners shall give full support to the Group's business development, including the coordination of relevant policy funds (including but not limited to relevant funds for public-private partnerships projects and Guangdong silk road fund, etc.) under the entrusted management of Utrust Investment Holdings Limited and its companies and the provision of funding support to the projects of the Group to the extent that the project is consistent with the investment direction of such funds; and (III) the Company intends to establish an industrial fund for clean environmental projects jointly with Utrust Partners to give full support for the technological upgrade projects and business development of the Group.

(ii) In February 2017, the Company and True Victor Holdings Limited entered into the subscription agreement, pursuant to which the Company conditionally agreed to issue and True Victor Holdings Limited conditionally agreed to subscribe, 300,000,000 ordinary shares at the subscription price of HK$3.5 per share. The net proceeds from the subscription will amount to approximately HK$1,018,100,000. The transaction has yet to be completed as at the date of this announcement.

(iii) In March 2017, the Group was awarded the BOT concession right in relation to the WTE plant located in Xinyi City, Guangdong Province by Bureau of Housing, Urban and Rural Planning and Construction of Xinyi Municipality. A framework agreement was entered in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

China continued to achieve steady development during the year. Growing concern of the environmental protection remains one of the key subjects in China.

With the promulgation of the 13th Five-Year Plans for the municipal solid waste treatment by National Development and Reform Commission, China planned to strengthen its MSW collection and transportation capability to cover counties and towns, increase the penetration rate for MSW incineration capacity in 2020 and implement stringent emission standards. All of the above measures will benefit to the WTE industry in the long run.

Overall Performance

For the year ended 31 December 2016, the Group's revenue was HK$1,653.6 million (2015: HK$1,184.5 million), representing an increase of 39.6% over 2015. The operating profit and profit for the year were HK$547.4 million (2015: HK$381.2 million) and HK$400.0 (2015: HK$288.9 million), representing an increase of 43.6% and 38.5%, respectively. Profit attributable to equity holders of the Company was HK$400.0 million (2015: HK$272.0 million), representing an increase of 47.1% over the last year. Basic earnings per share was HK19.8 cents (2015: HK13.6 cents).

During the year, the Group implemented innocuous treatment of waste volume amounted to approximately 2,369,146 tonnes. The Group generated 962,916,000 kWh from green energy, saving 338,456 tonnes of standard coal and reducing emission of carbon dioxide by 843,771 tonnes.

Processing Capacity Expansion

Operating Processing Capacity

In 2016, the operating daily MSW processing capacity of the Group increased from 5,400 tonnes to 7,600 tonnes, representing an increase of 41%.

Total Processing Capacity

As at the end of 2016, the operating, secured, announced and under management agreement daily MSW processing capacity of our 12 projects reached 18,340 tonnes. With the conditional award of a WTE project in Xinyi City, Guangdong Province, the total processing capacity of the Group will further increase to 19,090 tonnes (including management contract project).

Projects

Overall

In 2016, the Group added 5 projects and the total number of operating, secured, announced and management contract projects increased to 12. The total daily MSW processing capacity increased 5,940 tonnes to 18,340 tonnes. During 2016, the geographical coverage of the Group reached Guangdong Province, Guangxi Zhuang Autonomous Region and Guizhou Province.

Eco-Tech WTE plant, Kewei WTE plant and China Scivest WTE plant continued to contribute to the Group in a significant way in 2016. After the commencement of operation, Zhanjiang WTE plant started to contribute operating profits to the Group.

Guangdong Province

In January 2015, the Group was informed by Dongguan Municipal Administration that Eco-Tech WTE plant could expand the installed daily MSW processing capacity by an additional 1,500 tonnes. The expansion is under construction and expects to commence trial operation in the first half of 2017.

Expansion of China Scivest WTE plant was under construction and expects to commence trial operation in the second half of 2017.

The Group holds a concession right to construct a WTE plant in Qingyuan City, Guangdong Province. Qingyuan WTE plant is still under planning.

Zhanjiang WTE plant commenced trial operation in April 2016 and started to contribute operating profits to the Group.

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 Guangye WTE plant. The project is still under construction. Please refer to the announcement of the Company dated 22 August 2016 for further details.

In September 2016, the Group was awarded the tender in relation to Lufeng WTE plant. A contract was entered into with the Bureau of Housing and Urban – Rural Planning and Development of Lufeng City in this regard. The Group is conducting feasibility studies for this project. Please refer to the announcement of the Company dated 3 October 2016 for further details.

In March 2017, the Group was awarded the BOT concession right in relation to a WTE plant located in Xinyi City, Guangdong Province. A framework agreement was entered in this regard. Please refer to the announcement of the Company dated 6 March 2017 for further details.

Guangxi Zhuang Autonomous Region

Laibin WTE plant commenced technological upgrade in March 2016 and is expected to commence trial operation in the second half of 2017. Beiliu WTE plant was under construction.

Guizhou Province

In January 2016, Kewei acquired 100% equity interest in Xingyi at a consideration of RMB110,000,000 (approximately HK$130,900,000). Xingyi currently operates a WTE plant in Xingyi City, Guizhou Province. The transaction has been effectively completed in August 2016. Preparation works in relation to the expansion of Xingyi WTE plant has been commenced.

The following table sets forth the operational details of each WTE plant:

Location	Project(s)	Year ended 31 December	
		2016	2015
Guangdong Province	**Eco-Tech WTE plant** *(Note 2)*		
	Waste treatment		
	Received MSW *(tonnes)*	**700,530**	201,152
	Processed MSW *(tonnes)*	**692,449**	191,706
	Power generation		
	Power generated *(MWh)*	**299,275**	89,000
	Power sold *(MWh)*	**264,672**	78,500
	Sales to generation ratio *(Note 1)*	**88.4%**	88.2%
	Kewei WTE plant		
	Waste treatment		
	Received MSW *(tonnes)*	**580,020**	576,207
	Processed MSW *(tonnes)*	**575,539**	577,611
	Power generation		
	Power generated *(MWh)*	**252,761**	249,476
	Power sold *(MWh)*	**225,606**	221,272
	Sales to generation ratio *(Note 1)*	**89.3%**	88.7%
	China Scivest WTE plant		
	Waste treatment		
	Received MSW *(tonnes)*	**693,884**	711,935
	Processed MSW *(tonnes)*	**684,986**	683,011
	Power generation		
	Power generated *(MWh)*	**279,639**	297,322
	Power sold *(MWh)*	**243,794**	261,140
	Sales to generation ratio *(Note 1)*	**87.2%**	87.8%
	Zhanjiang WTE plant *(Note 3)*		
	Waste treatment		
	Received MSW *(tonnes)*	**325,481**	N/A
	Processed MSW *(tonnes)*	**316,474**	N/A
	Power generation		
	Power generated *(MWh)*	**98,736**	N/A
	Power sold *(MWh)*	**83,358**	N/A
	Sales to generation ratio *(Note 1)*	**84.4%**	N/A

Location	Project(s)	Year ended 31 December **2016**	 2015
Guangxi Zhuang Autonomous Region	**Laibin WTE plant** *(Note 4)*		
	Waste treatment		
	Received MSW *(tonnes)*	**176,934**	54,873
	Processed MSW *(tonnes)*	**23,398**	52,230
	Power generation		
	Power generated *(MWh)*	**9,662**	21,399
	Power sold *(MWh)*	**7,067**	15,568
	Sales to generation ratio *(Note 1)*	**73.1%**	72.8%
Guizhou Province	**Xingyi WTE plant** *(Note 5)*		
	Waste treatment		
	Received MSW *(tonnes)*	**86,673**	N/A
	Processed MSW *(tonnes)*	**76,300**	N/A
	Power generation		
	Power generated *(MWh)*	**22,843**	N/A
	Power sold *(MWh)*	**18,326**	N/A
	Sales to generation ratio *(Note 1)*	**80.2%**	N/A
Total	***Waste treatment***		
	Received MSW *(tonnes)*	**2,563,522**	1,544,167
	Processed MSW *(tonnes)*	**2,369,146**	1,504,558
	Power generation		
	Power generated *(MWh)*	**962,916**	657,197
	Power sold *(MWh)*	**842,823**	576,480
	Sales to generation ratio *(Note 1)*	**87.5%**	87.7%

Note 1: 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.

Note 2: The operation of Eco-Tech WTE plant has been suspended for its technological upgrade since April 2014 and resumed trial operation in August 2015.

Note 3: Zhanjiang WTE plant commenced trial operation in April 2016.

Note 4: Laibin WTE plant was acquired and its results was accounted for as part of the Group's results since 14 August 2015. The operation of Laibin WTE plant has been suspended for technological upgrade since March 2016.

Note 5: Acquisition of Xingyi WTE plant has been effectively completed in August 2016 and its results was accounted for as part of the Group's results since 31 August 2016.

Revenue

During the year, the Group's revenue reached HK$1,653.6 million, representing an increase of 39.6% when compared with HK$1,184.5 million in 2015. It was mainly attributable to the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, which include the commencement of operation of Eco-Tech WTE plant after the completion of technological upgrade in August 2015, and the increase in construction revenue arising from various BOT projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2016 and 2015:

	Year ended 31 December			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from power sales	**519,386**	**31.4%**	376,211	31.8%
Revenue from waste treatment fees	**256,204**	**15.5%**	204,917	17.3%
Construction revenue arising from BOT arrangement	**843,760**	**51.0%**	583,328	49.2%
Finance income arising from BOT arrangement	**34,202**	**2.1%**	20,080	1.7%
Total	**1,653,552**	**100.0%**	1,184,536	100.0%

The following table sets forth the breakdown of revenue by region for the years ended 31 December 2016 and 2015:

	Year ended 31 December			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Guangdong Province	**1,135,065**	**68.6%**	1,171,617	98.9%
Guangxi Zhuang Autonomous Region	**417,304**	**25.2%**	12,919	1.1%
Guizhou Province	**101,183**	**6.2%**	–	–
Total	**1,653,552**	**100.0%**	1,184,536	100.0%

Cost of Sales

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

During the year, cost of sales increased by 42.8% from HK$745.2 million in 2015 to HK$1,064.3 million in 2016. The increase was mainly attributable to construction cost, depreciation and amortisation and increase in operating cost as a result of more operating plants. In particular, construction cost increased from HK$486.1 million in 2015 to HK$703.1 million in 2016, and representing 66.1% of the total cost of sales in 2016.

Gross Profit and Gross Profit Margin

In 2016, gross profit of the Group amounted to HK$589.3 million, representing an increase of 34.1% as compared to HK$439.3 million in 2015. The increase in gross profit was mainly attributable to gross profit from various BOT projects, and contribution from the operation of the increasing operating capacity, which include the commencement of operation of Eco-Tech WTE plant after the completion of technological upgrade in August 2015.

The following table sets forth the gross profit by nature for the years ended 31 December 2016 and 2015:

	Year ended 31 December			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Power sales and waste treatment operations	**414,458**	**70.3%**	322,022	73.3%
Construction service arising from BOT arrangement	**140,629**	**23.9%**	97,222	22.1%
Finance income arising from BOT arrangement	**34,202**	**5.8%**	20,080	4.6%
Total	**589,289**	**100.0%**	439,324	100.0%

Gross profit margin of the Group decreased from 37.1% in 2015 to 35.6% in 2016. The decrease was mainly due to lower gross profit margin of the operating plants as a result of increasing operating cost as well as the lower gross profit margin of construction revenue from BOT projects than that of revenue from power sales and waste treatment operations.

The following table sets forth the gross profit margin by nature generated for each of the WTE plants for the year ended 31 December 2016 and 2015:

	Year ended 31 December	
	2016	2015
	Gross profit margin	*Gross profit margin*
Power sales and waste treatment operations	**53.4%**	55.4%
Construction service arising from BOT arrangement	**16.7%**	16.7%
Finance income arising from BOT arrangement	**100.0%**	100.0%
Gross profit margin of the Group	**35.6%**	37.1%

General and Administrative Expenses

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

During the year, general and administrative expenses increased by 10.1% from HK$111.6 million in 2015 to HK$122.9 million in 2016. The increase in the expenses was mainly due to additional plants under operation.

Other Income

Other income mainly consisted of VAT refund, management income, government grants and others. During the year, other income increased by 68.0% from HK$49.2 million in 2015 to HK$82.6 million in 2016. The increase in other income was mainly due to the management income received from the management of a project.

Other Loss/Gain, Net

Other net loss/gain mainly represented net exchange loss/gain. During the year, other net loss recorded HK$1.6 million as compared to other net gain amounted to HK$4.3 million in 2015. It was mainly attributable to the impact from the depreciation of Renminbi.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks and IFC, net of interest income from bank deposits. During the year, the net interest expenses increased by 64.4% from HK$51.4 million in 2015 to HK$84.5 million in 2016. The increase in net interest expenses was mainly due to the increase in bank borrowings related to projects under construction and the convertible loan from IFC as well as finance costs related to Eco-Tech WTE plant and Zhanjiang WTE plant were no longer eligible for capitalisation after the construction works completed and the plants were ready for use.

Income Tax Expense

During the year, income tax expense increased from HK$40.9 million in 2015 to HK$62.9 million in 2016. It was mainly attributable to tax incurred by China Scivest WTE plant as a result of transiting from full tax exemption in 2015 to half tax exemption in 2016 and deferred income tax arising from construction profit.

Profit Attributable to Equity Holders of The Company

During the year, profit attributable to equity holders of the Company increased by 47.1%, from HK$272.0 million in 2015 to HK$400.0 million in 2016.

Liquidity, Financial and Capital Resources

Financial resources

During the year, the Group generated HK$460.9 million cash from operating projects (2015: HK$311.5 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$514.6 million (2015: HK$343.0 million), as a result, total net cash used in operating activities amounted to HK$53.7 million during the year (2015: HK$31.5 million).

The Group generated cash flow through operating activities and loan facilities from banks and IFC. As at 31 December 2016, total cash and cash equivalents of the Group were HK$619.0 million (31 December 2015: HK$449.1 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.

Use of The Net Proceeds from The Initial Public Offering

The Company raised a total of HK$1,165.0 million in gross proceeds after the completion of the initial public offering in December 2014, and net proceeds amounted to HK$1,068.5 million after deducting various professional expenses incurred in connection with the initial public offering. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 15 December 2014 (the "Prospectus"), and the respective use of the net proceeds as at 31 December 2016 was as follows:

	Available *HK$'000*	**Used** *HK$'000*	**Unused** *HK$'000*
Expand 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	70,313	79,283
Working capital and other general corporate purposes	106,855	106,855	–
Total	1,068,546	989,263	79,283

Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2016, the Group's bank borrowings was HK$1,911.4 million (31 December 2015: HK$1,419.9 million). Such bank borrowings were secured by rights to collect revenue from power sales and waste handling services, bank deposits, land use rights, property, plant and equipment, concession rights and corporate guarantees. The bank borrowings were denominated in Renminbi and over 96% of them were at floating interest rates.

In January 2016, the Company entered into a convertible loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465.0 million. The convertible loan has been drawn down. The carrying amount of the debt component as at 31 December 2016 was HK$407.9 million. The convertible loan was denominated in Hong Kong dollar and bears interest at a rate of 2% per annum.

Net asset of the Group was HK$2,723.0 million (31 December 2015: HK$2,334.4 million). Increase in net assets was mainly attributable to the profit generated during the year and the equity fund raising activity in May 2016, partially offset by the effect of depreciation of Renminbi during the year.

The following table sets forth the analysis of the borrowings as at 31 December 2016 and 2015:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Portion of term loans due to repayment after one year – secured	**1,634,549**	1,098,852
Portion of term loans due for repayment within one year – secured	**276,837**	321,043
Total bank borrowings	**1,911,386**	1,419,895
Convertible loan – debt component – unsecured	**407,935**	–
Total borrowings	**2,319,321**	1,419,895

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2016, the gearing ratio was 55.1% (31 December 2015: 47.8%)

As of 31 December 2016, the Group had banking facilities (including the convertible loan agreement entered into with IFC) in the amount of HK$3,616.9 million, of which HK$1,240.5 million remained unutilised. The banking facilities were denominated in Renminbi, Hong Kong dollars and United States dollars and most of them were at floating interest rates.

Cost of Borrowings

For the year ended 31 December 2016, the total cost of borrowings of the Group was HK$88.9 million (2015: HK$63.3 million), representing an increase of HK$25.6 million. The increase was mainly attributable to the increase in bank borrowings related to projects under construction and the convertible loan from IFC as well as finance costs related to Eco-Tech WTE plant and Zhanjiang WTE plant were no longer eligible for capitalisation after the construction works completed and the plants were ready for use. Effective interest rate ranged from 2.23% to 10.69% in 2016, while it was from 5.15% to 6.90% in 2015.

For the year ended 31 December 2016, the imputed interest expenses and interests paid in relation to the convertible loan amounted to HK$28.2 million and HK$6.0 million respectively.

Foreign Exchange Risk

Major operating subsidiaries of the Group were operating 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 United States dollars while bank loans were denominated in Renminbi. Save as disclosed above, the Group did not have any material exposures to foreign exchange risk. The Group does not have any financial instruments 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 2016, the Group had capital commitments authorised but not contracted for amounted to HK$687.3 million (31 December 2015: HK$1,225.9 million) and capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$1,153.9 million (31 December 2015: HK$348.2 million).

As at 31 December 2016, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK$9.6 million (31 December 2015: HK$14.2 million).

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

In January 2016, Kewei entered into an agreement in connection with the acquisition of 100% equity interest in Xingyi at a consideration of RMB110,000,000 (approximately HK$130,900,000). Xingyi currently operates a WTE plant in Xingyi City, Guizhou Province. The transaction has been effectively completed in August 2016. Please refer to the announcement of the Company dated 26 January 2016 for further details.

Capital Expenditures

For the year ended 31 December 2016, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements, amounted to HK$1,083.4 million (2015: HK$1,019.8 million). It was mainly funded by borrowings, fund generated from operating activities and capital contributions from shareholders.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016.

Pledge of Assets

As at 31 December 2016, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, land use rights, property, plant and machinery, concession rights and bank deposits with an aggregate carrying amount of HK$2,097.8 million (31 December 2015: HK$1,575.6 million) to certain banks to secure certain credit facilities granted to the Group.

Human Resources

As at 31 December 2016, the Group employed a total of 693 employees, 19 of them were at management level. By geographical locations, it had 673 employees in the PRC and 20 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 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 as set out in Appendix VI to the Prospectus. Under the share option scheme and at 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 2016 were HK$113.7 million (2015: HK$90.8 million (including fair value of share option granted of HK$5.8 million)).

EVENTS AFTER THE BALANCE SHEET DATE

In January 2017, the Group entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST and Utrust International. Pursuant to the agreement, (I) Utrust Partners shall assist the Company in business expansion and sourcing of new projects, and fully support the Company in obtaining WTE projects in Guangdong Province, with the form of collaboration not limited to signing strategic cooperation agreements or memorandums of cooperation with local government authorities within Guangdong Province and other relevant parties; (II) Utrust Partners shall give full support to the Group's business development, including the coordination of relevant policy funds (including but not limited to relevant funds for public-private partnerships projects and Guangdong silk road fund, etc.) under the entrusted management of Utrust Holdings and its companies and the provision of funding support to the projects of the Group to the extent that the project is consistent with the investment direction of such funds; and (III) the Company intends to establish an industrial fund for clean environmental projects jointly with Utrust Partners to give full support for the technological upgrade projects and business development of the Group. Please refer to the announcement of the Company dated 4 January 2017 for further details.

In February 2017, the Company and True Victor entered into the subscription agreement, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe, 300,000,000 shares at the subscription price of HK$3.5 per share. The transaction has yet to be completed as at the date of this announcement. Please refer to the announcement of the Company dated 17 February 2017 for further details.

In March 2017, the Group was conditionally awarded the BOT concession right in relation to a WTE plant located in Xinyi City, Guangdong Province by Bureau of Housing, Urban and Rural Planning and Construction of Xinyi Municipality. A framework agreement was entered in this regard. Please refer to the announcement of the Company dated 6 March 2017 for further details.

DIVIDENDS

During the year, the Company declared an interim dividend of HK1.1 cents per ordinary share. (2015: Nil). The Board has proposed the payment of a final dividend of HK1.6 cents (2015: Nil) per ordinary share to the shareholders. Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 16 June 2017 ("2017 AGM"), the proposed final dividend are expected to be paid on Friday, 7 July 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2017.

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of shareholders who are entitled to attend and vote at the 2017 AGM

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Monday, 12 June 2017
Period of closure of register of members	:	Tuesday, 13 June 2017 to Friday, 16 June 2017 (both dates inclusive)

To determine the shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	:	Wednesday, 21 June 2017
Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 22 June 2017
Period of closure of register of members	:	Friday, 23 June 2017 to Tuesday, 27 June 2017 (both dates inclusive)
Record date	:	Tuesday, 27 June 2017

To qualify for attending and voting at the 2017 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of shares.

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Friday, 16 June 2017. Notice of the 2017 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

PUBLIC FLOAT

Based on the information that is 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 is held by the public throughout the year ended 31 December 2016 and as at the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2016, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, the Company has complied with the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

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 2016 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, 22 March 2017

GLOSSARY

Beiliu	Beiliu Yuefeng Environmental Power Company Limited (北流粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 3 June 2016 and a 80% indirectly owned subsidiary of the Company
Board	the board of Directors
BOC & UTRUST	BOC & UTRUST Private Equity Fund Management (Guangdong) Co., Ltd. (中銀粵財股權投資基金管理(廣東)有限公司), a company established in the PRC with limited liability
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
Cash generated from operating projects*	Net cash generated from/used for operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 5 November 2004 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

Counterparties	Zhongshan Guangye and 4 related parties of Zhongshan Guangye
Director(s)	director(s) of the Company
Dongguan Municipal Administration	東莞市城市綜合管理局, formerly known as Dongguan Municipal Utilities Administration (東莞市市政公用事業管理局), a government department under the Dongguan People's Government responsible for municipal management, and an Independent Third Party
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 established under the laws of the PRC with limited liability on 19 June 2003 and an indirect wholly owned subsidiary of the Company
Group	the Company and its subsidiaries
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
IFC	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial shareholders of our Company and our subsidiaries and their respective associates
Kewei	Dongguan Kewei Environmental Power Company Limited (東莞科維環保投資有限公司) (formerly known as 東莞市科維環保電力有限公司), a company established under the laws of the PRC with limited liability on 13 February 2009 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 Zhongke Environmental Power Company Limited (來賓中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 January 2005 and an indirect wholly owned subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
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
Lufeng	Lufeng Yuefeng Environmental Power Company Limited (陸豐粵豐環保電力有限公司), a company established under the laws of the PRC on 21 November 2016 with limited liability and an indirect wholly owned subsidiary of the Company
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
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
SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Hong Kong Stock Exchange (stock code: 363)
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

Utrust International	Guangdong Finance Investment International Co., Limited (粵財控股香港國際有限公司), a company incorporated under the laws of Hong Kong with limited liability
Utrust Holdings	Utrust Investment Holdings Limited (廣東粵財投資控股有限公司), a company established in the PRC with limited liability
Utrust Partners	BOC & UTRUST and Utrust International
VAT	Value-added tax
Wise Power	Wise Power Investment Limited, a private company limited by shares incorporated under the laws of Cayman Islands with limited liability and is a wholly owned subsidiary of China Infrastructure Partners, L.P. and is a Pre-IPO Investor
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
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 established under the laws of the PRC with limited liability on 12 January 2012 and became an indirect wholly owned subsidiary of the Company since 2016
Zhanjiang	Zhanjiang Yuefeng Environmental Power Company Limited (湛江市粵豐環保電力有限公司), a company established under the laws of the PRC on 3 April 2013 with limited liability and an indirect wholly owned subsidiary of the Company
Zhongshan Guangye	Zhongshan City Guangye Longcheng Environmental Company Limited (中山市廣業龍澄環保有限公司), a company established in the PRC with limited liability
%	per cent

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