粵豐環保電力有限公司
Canvest Environmental Protection Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

Capturing Immense Opportunity
Creating Sustainable GROWTH

ANNUAL REPORT 2018

MIX
Paper from responsible sources
FSC™ C102068
FSC www.fsc.org

CORPORATE PROFILE

Canvest Environmental Protection Group Company Limited is principally engaged in the provision of environmental hygiene and related services and operation and management of waste-to-energy plants. As at 25 March 2019, the total operating, secured, announced and under management agreement daily MSW processing capacity of our 22 projects reached 32,440 tonnes.

In December 2014, Canvest was listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In January 2015, Canvest has been selected as a constituent of Hang Seng Infrastructure Index, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index — Utilities and Hang Seng Composite SmallCap Index.

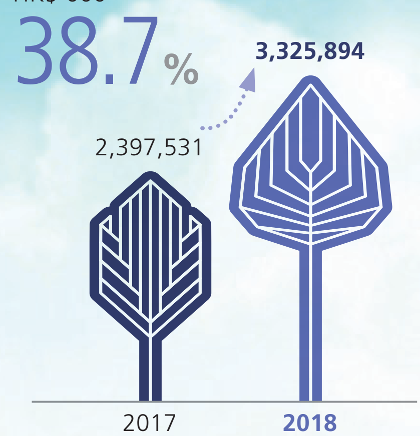
In December 2016, Canvest has been selected as one of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect.

In 2017, Canvest was named in the "2017 China's Most Promising Listed Companies" by Forbes China.

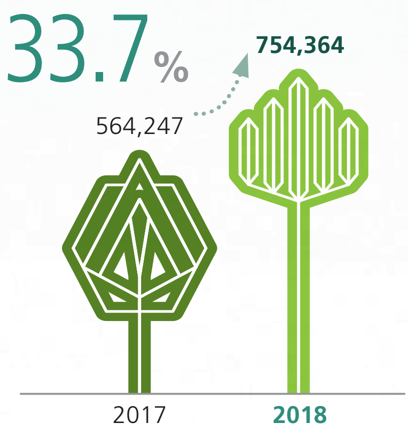
CONTENTS

FINANCIAL HIGHLIGHTS

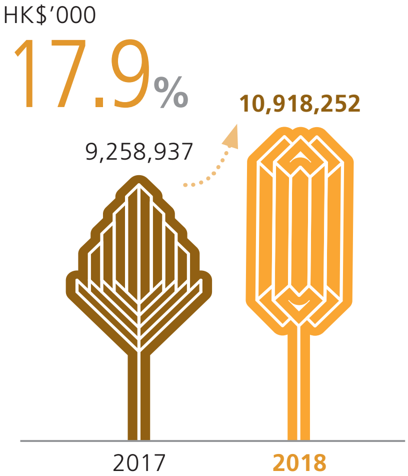
Revenue
(for the year ended 31 December)
HK$'000



Profit attributable to equity holders of the Company
(for the year ended 31 December)
HK$'000



Total assets
(as at 31 December)
HK$'000



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

	For the year ended 31 December		
	2018	2017	Change
Revenue (HK$'000)	**3,325,894**	2,397,531	+38.7%
Included: Revenue from power sales and waste treatment (HK$'000)	**1,563,691**	1,079,171	+44.9%
Gross profit (HK$'000)	**1,097,092**	818,664	+34.0%
EBITDA (HK$'000)	**1,312,088**	943,782	+39.0%
Profit for the year (HK$'000)	**754,355**	564,247	+33.7%
Profit attributable to equity holders of the Company (HK$'000)	**754,364**	564,247	+33.7%
Basic earnings per Share (HK cents)	**30.7**	24.0	+27.9%
Total dividend per Share (HK cents)*	**4.6**	3.3	+39.4%
Cash generated from operating projects (HK$'000)	**1,118,120**	646,209	+73.0%

* including proposed final dividend for the year ended 31 December 2018 of HK2.7 cents (2017: HK2.0 cents) per Share

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

	As at 31 December		
	2018	2017	Change
Total assets (HK$'000)	**10,918,252**	9,258,937	+17.9%
Total liabilities (HK$'000)	**5,623,695**	4,368,631	+28.7%
Included: Total bank borrowings (HK$'000)	**4,128,803**	3,159,859	+30.7%
Equity attributable to equity holders of the Company (HK$'000)	**5,293,447**	4,890,306	+8.2%
Total liabilities/total assets	**51.5%**	47.2%	+4.3 pts

CORPORATE MILESTONES

Q1 2018

- Phase 1 of Beiliu WTE plant commenced trial operation
- Acquired 100% equity interest in Dongguan Lujia
- Acquired 41% equity interest in Johnson

Q2 2018

- Obtained term loans facility of HK$1,176.0 million from seven banks and financial institutions. The aggregate amount of the term loans facility were increased to HK$1,409.2 million in July 2018
- Completed the construction of Canvest Environmental Protection Theme Pavilion in Dongguan

Q3 2018

- Phase 1 of Lufeng WTE plant commenced trial operation

- Entered into an agreement in relation to the acquisition of 100% equity interest in Open Mind
- Acquired 100% equity interest in Sichuan Jiajieyuan
- Entered into the capital increase agreement with Zaozhuang Zhongke and its existing shareholders
- Conditionally awarded the concession right in relation to the WTE plant located in Linfen City of Shanxi Province
- Zhanjiang WTE plant was recognised as "Grade AAA Innocuous Waste Incineration Plant"

Q4 2018

- Xinfeng WTE plant and phase 2 of Beiliu WTE plant commenced trial operation
- Conditionally awarded the PPP concession right in relation to the WTE plant located in Mancheng district of Baoding City of Hebei Province
- Entered into the joint venture agreement with three parties to establish a project company which will be principally engaged in the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province
- Entered into an agreement in relation to the acquisition of 100% equity interest in Bazhong Weiao

Q1 2019

CHAIRLADY'S STATEMENT

WE WILL CONTINUE OUR MISSION "TO PROTECT THE BLUE SKY AND CLEAN WATER, AND TO BUILD A BEAUTIFUL HOME", TO FOCUS ON EXPANDING OUR ENVIRONMENTAL BUSINESS AND PURSUING COMPREHENSIVE DEVELOPMENT IN ALL ASPECTS

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 2018 (the "year").

With the Chinese central government's firm commitment to preserve its environment and to treat the massive volume of waste in the nation effectively and efficiently, the support of waste-to-energy ("WTE") treatment has become an important agenda to Government's policies. As directed by the 13th Five Year Plan for Environmental Protection Standards, the preferred treatment for municipal waste would be incineration. By the end of the 13th Five Year Plan, the average incineration rate should reach 54% nation-wide, which translates into tremendous development potential for the WTE industry.

Municipal solid waste ("MSW") treatment targets adopted by regional governments facilitate Canvest to accelerate its business development pace. The Group successfully seized the development opportunities by adhering to the core strategy of "fostering new momentum, exploring new business opportunities, building competitive advantages", embracing challenges and achieving steady growth. With strong management and execution capabilities, Canvest has been growing rapidly with stellar financial and operational performance, which helps to strengthen its market leading position and stay invigorated albeit fierce competition in the market. Leveraging on Canvest's mergers and acquisitions strategy, the Group successfully obtained the Zaozhuang project in 2018, which further expands the Group's geographic footprint in the Shandong Province. With the successful tenders of the Linfen project in Shanxi Province and the Mancheng project in Hebei province, the Group is in a vantage position to gain more traction in the northern cities.

Our strategic and second largest Shareholder, Shanghai Industrial Holdings Limited ("SIHL"), has increased their shareholding in Canvest from 14.52% to 17.52%, by acquiring a total of 73,660,000 Shares of the Company on 14 December 2018. We welcome the support from SIHL and will continue to work closely with the team at SIHL to develop new project opportunities by leveraging on SIHL's network and resources.

FINANCIAL PERFORMANCE

During the year, the Group's revenue increased by 38.7% year-on-year to HK$3,325.9 million and the profit attributable to equity holders of the Company increased by 33.7% year-on-year to HK$754.4 million. The increase was mainly attributable to the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, and the increase in construction revenue arising from construction.

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 HK2.7 cents per ordinary Share for the year ended 31 December 2018 (2017: HK2.0 cents). If approved by Shareholders, the total dividend of 2018 would be HK4.6 cents per Share (2017: HK3.3 cents).

BUSINESS REVIEW

As at 31 December 2018, we have secured 19 WTE projects with 11 in operation. As at the date of this annual report, we have secured 22 WTE projects, with 13 in operation, and the remaining 9 projects are progressing as planned. The total operating, secured, announced and managed daily MSW processing capacity amounted to 32,440 tonnes.

During the year, Canvest further expanded its foothold to other Chinese provinces. We were conditionally awarded the Linfen WTE project in Shanxi Province with a total daily MSW processing capacity of 1,200 tonnes and also obtained the Zaozhuang WTE project in Shandong Province with a total daily MSW processing capacity of 1,800 tonnes, of which phase 1 will undergo technological upgrade soon. In addition, we were awarded the Mancheng WTE plant public-private-partnership project in Hebei Province in January 2019 and the total daily MSW processing capacity of the project is 1,000 tonnes.

Phase 1 of the Beiliu WTE plant and phase 1 of the Lufeng WTE plant had commenced trial operation during the year and started generating operating revenue for the Group. The Xinfeng project had commenced trial operation during the first quarter of 2019, and Xinyi, Dianbai and Xuwen WTE projects are under construction according to schedule. In December 2018, our Zhanjiang WTE plant was awarded and recognised as "Grade AAA Innocuous Waste Incineration Plant (AAA級無害化焚燒廠)" by the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳), which is the highest grade in the grading system, in recognition of the high quality standard of our WTE plants.

During the year, Canvest successfully expanded its business along the value chain, by: (i) acquiring a 41% equity interest in Johnson, a leading environmental hygiene service provider in Hong Kong; (ii) acquiring a 100% stake in Dongguan Lujia, which indirectly holds 35% of the rights to operate the first fly ash landfill project in Dongguan City; and (iii) acquiring Open Mind, which holds 40% equity interest in Zhongzhou Environmental, a bottom ash treatment company. These acquisitions allow Canvest to enter the upstream waste collection business and downstream waste treatment business, thereby helping the Group to gain knowledge and experience in industries related to the core WTE business.

During the year, the Group secured a loan facility of HK$1,409.2 million from 7 international banks and financial institutions, which was led by one of our Shareholders, the IFC. The loan facility, along with self-generated cash flow from operating projects, will support the future business development of the Group.

In recognition of our investor relations effort, we are pleased to receive many prestigious awards and for the first time under the "Mid Cap" category, from HKIRA's Investor Relations Awards. In addition, we are honored to be named the Best in Sector — Utilities by the IR Magazine Awards — Greater China 2018.

Making contributions to the society is important to Canvest. The opening of the Canvest Environmental Protection Theme Pavilion in Dongguan has helped to promote environmental awareness and understanding of WTE technologies. During the year, we have supported different charities and community projects, including providing financial aid to underprivileged students and organizing visits to the elderly and those in need.

OUTLOOK

The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" was released in February 2019 by the Central Committee of the Communist Party of China and the State Council, which aims to develop the Guangdong-Hong Kong-Macao Greater Bay Area into an international innovation and technology hub, and set "a role model of high-quality development". The plan calls for deepened cooperation among the nine Pearl River Delta cities to increase the level of market integration in the Greater Bay Area, therefore benefiting the Pearl River-Xijiang economic zone and propelling the development in South Central China and Southwest China, as well as in Southeast and Southern Asia. The plan promises to act on the principles of prioritizing resource conservation and environmental protection, so that the beautiful environment with bluer skies, green mountains and clear water and rapid economic development can co-exist in the Greater Bay Area. With accelerated economic development and further urbanization, and the commitment to build a green environment, the region will be full of new business opportunities. We are confident that our extensive project development and operational experience in the Greater Bay Area, coupled with the vast resources of our partner Huafa Group, a leading state-owned enterprise in Zhuhai, will place us ahead of the competition to capture new opportunities in the region.

Meanwhile, we will continue to enhance our management and technical capacities in order to maximize operational efficiencies. In addition, we will continue to carry out strategic expansion through mergers and acquisitions. As more resources are being allocated by the Central Government of the PRC to ensure full compliance of the environmental standards by WTE plants, we see many new opportunities from brownfield projects for upgrading and cooperation emerging from the market. Furthermore, we will continue to explore development opportunities along the value chain and to other waste types treatment projects, such as hazardous waste and industrial waste. By offering integrated environmental services, synergies with the Group's core WTE business will be created and overall efficiency of the Group will be optimized.

Looking ahead to the challenges and opportunities, we will continue our mission "to protect the blue sky and clean water, and to build a beautiful home", to focus on expanding our environmental business and pursuing comprehensive development in all aspects. We will adhere to the corporate principles of serving and making contribution to the society, and collaborating with our partners to reach new heights in the coming year.

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

Lee Wing Yee Loretta
Chairlady

Hong Kong, 25 March 2019

PROJECTS OVERVIEW

Total Operating, Secured, Announced and Under Management Agreement Daily MSW Processing Capacity

32,440 Tonnes

(as at 25 March 2019)

	No of Projects	Daily Processing Capacity (tonnes)
Guangdong	12	18,490
Guangxi	2	2,550
Guizhou	1	1,200
Hebei	1	1,000
Jiangxi	1	800
Shandong	2	3,000
Shanxi	1	1,200
Sichuan	2	4,200
Total	22	32,440

A cleaning and waste management services provided by Sichuan Jiajieyuan

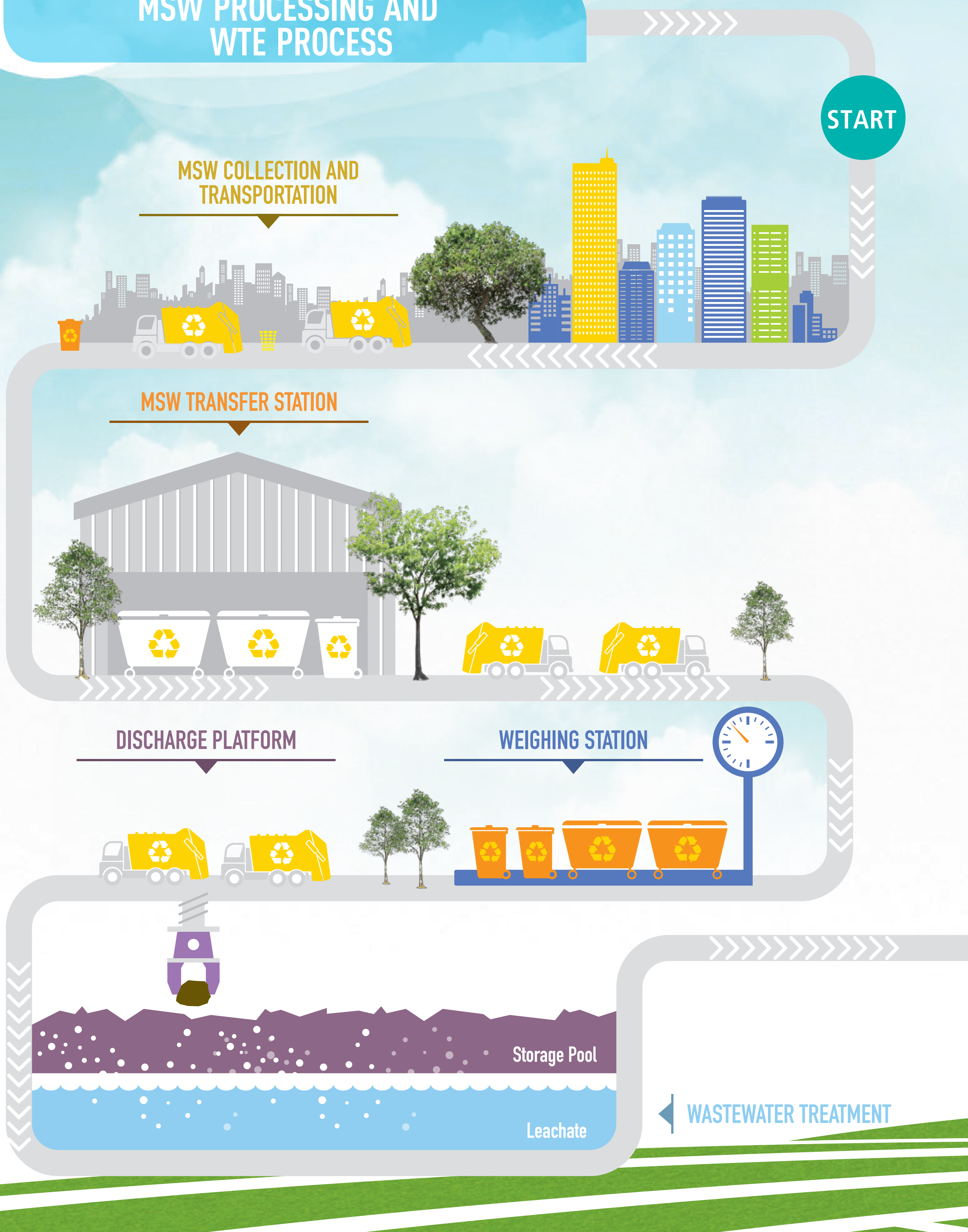
B environmental hygiene service provided by Johnson

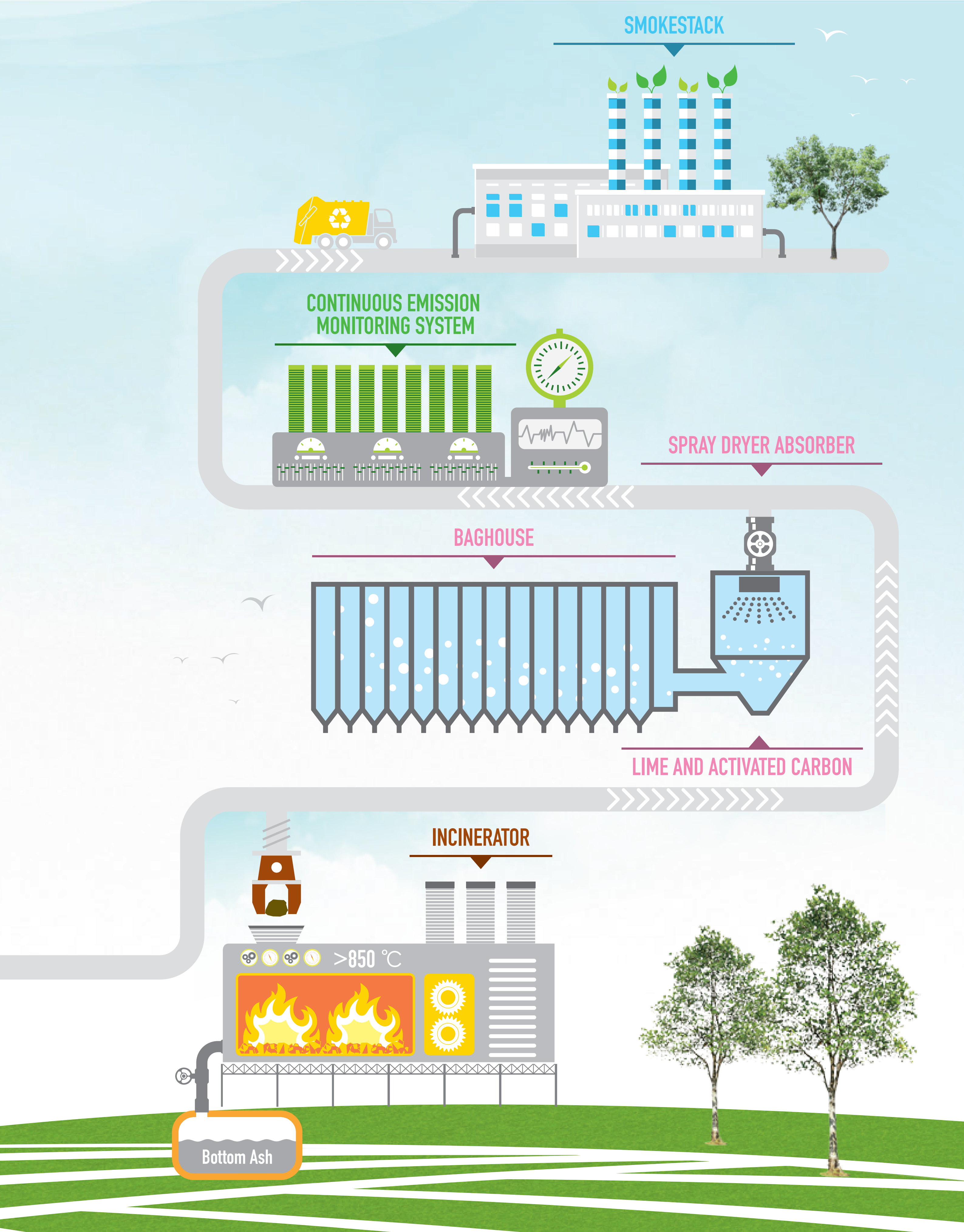
C fly ash landfill service provided by Dongguan Xindongyue

PROJECTS OVERVIEW

Province	No.	Plant	Location	Daily MSW processing capacity	Installed power generation capacity	Concession period	Waste treatment fee	Status
Guangdong	1	Eco-Tech I WTE plant	Dongguan	1,800 tonnes	36MW	Concession period is not applicable to BOO project	RMB110/tonne	In operation
	2	Eco-Tech II WTE plant	Dongguan	1,500 tonnes	50MW	Concession period is not applicable to BOO project	RMB110/tonne	In operation
	3	Kewei WTE plant	Dongguan	1,800 tonnes	30MW	Concession period is not applicable to BOO project	RMB110/tonne	In operation
	4	China Scivest I WTE plant	Dongguan	1,800 tonnes	42MW	BOT-24 years (from 10 December 2004 to 30 November 2028)	RMB110/tonne	In operation
	5	China Scivest II WTE plant	Dongguan	1,200 tonnes	36MW	BOT-Under negotiation	RMB110/tonne	In operation
	6	Zhanjiang WTE plant	Zhanjiang	1,500 tonnes	30MW	BOT-28 years (from 18 April 2013 to 17 April 2041)	RMB81.8/tonne	In operation
	7	Qingyuan WTE plant	Qingyuan	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	Planning	BOT-30 years after passing the environmental impact assessment	RMB50/tonne (Under negotiation)	Planning
	8	Zhongshan WTE plant	Zhongshan	1,040 tonnes	24MW	Construction and Operation under Management Agreement		In operation
	9	Lufeng WTE plant	Lufeng	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	BOT-30 years	RMB91.5/tonne	Phase 1: In operation Phase 2: Planning
	10	Xinyi WTE plant	Xinyi	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	BOT-30 years	RMB79/tonne	Under construction
	11	Xuwen WTE plant	Xuwen	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	BOT-27 years commencing from the date of construction	RMB80.5/tonne	Phase 1: Under construction Phase 2: Under construction
	12	Dianbai WTE plant	Maoming	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: Planning	BOT-338 months commencing from the date of commencement of operations	RMB89.5/tonne	Phase 1: Under construction Phase 2: Planning
Guangxi	13	Laibin WTE plant	Laibin	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	BOT-Until April 2042	RMB95/tonne	Phase 1: In operation Phase 2: Planning
	14	Beiliu WTE plant	Beiliu	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	BOT-30 years commencing from the date of commencement of operation	RMB83/tonne (Calculated on weighted average basis)	Phase 1: In operation Phase 2: In operation
Guizhou	15	Xingyi WTE plant	Xingyi	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	BOT-30 years commencing from the date of commencement of operation	RMB80/tonne	Phase 1: In operation Phase 2: In operation
Hebei	16	Mancheng WTE plant	Mancheng	Phase 1: 500 tonnes Phase 2: 500 tonnes	Planning	BOT-30 years commencing from the date of construction	RMB76.8/tonne	Planning
Jiangxi	17	Xinfeng WTE plant	Xinfeng	Phase 1: 400 tonnes Phase 2: 400 tonnes	12MW	BOT-30 years commencing from the date of formal receipt of waste treatment fees	RMB45/tonne	Phase 1: In operation Phase 2: In operation
Shanxi	18	Linfen WTE plant	Linfen	Phase 1: 800 tonnes Phase 2: 400 tonnes	Planning	BOT-30 years commencing from the date of construction	RMB73/tonne	Planning
Shandong	19	Zaozhuang WTE plant	Zaozhuang	Phase 1: 1,000 tonnes Phase 2: 800 tonnes	Phase 1: 15MW Phase 2: 15MW	BOT-30 years commencing from the date of commencement of operations	RMB49/tonne	Phase 1 : Pending technological upgrade Phase 2: Planning
	20	Shen County WTE plant	Shen County, Liaocheng City	Phase 1: 700 tonnes Phase 2: 500 tonnes	Planning	BOT-30 years commencing from the date of commencement of operations	RMB70/tonne	Planning
Sichuan	21	Jianyang WTE plant	Jianyang	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	BOT-30 years commencing from the date of commencement of operations	RMB65.95/tonne	Phase 1: Planning Phase 2: Planning
	22	Bazhong WTE plant	Bazhong	Phase 1: 600 tonnes Phase 2: 600 tonnes	Phase 1: 12MW Phase 2: 15MW	BOT-30 years commencing from the date of commencement of operations	RMB35-70/tonne	Phase 1: In operation Phase 2: Planning

MSW PROCESSING AND WTE PROCESS




SMOKESTACK
CONTINUOUS EMISSION MONITORING SYSTEM
SPRAY DRYER ABSORBER
BAGHOUSE
LIME AND ACTIVATED CARBON
INCINERATOR
>850 ℃
Bottom Ash

MANAGEMENT DISCUSSION AND ANALYSIS

To promote a conservation culture, the Central Government of the PRC continued to promulgate many policies to support the development of the "Plan for non-hazardous waste treatment facilities under the 13th FYP". The 19th National Congress of the Communist Party of China ("CPC") further reinforced the efforts to this topic.

With the incorporation of conservation culture to the constitution of the CPC and the philosophy of "Lucid Waters and Lust Mountains are Invaluable Assets", the Central Government of the PRC commissioned the Ministry of Ecology and Environmental ("MEE") to take on all duties of environmental protection.

In 2018, the Ministry of Finance of the PRC, the State Taxation Administration and the MEE jointly announced the detailed notice in relation to the environmental protection tax to the pollutants (關於明確環境保護稅應稅污染物適用等有關問題的通知) and revisit actions (回頭看) from the inspection teams. All of the abovementioned initiatives aim at fostering the goal of "Building a Beautiful China".

The Group continued to pursue efficiency, quality and safety through the internal policy, control and effective management. Phase 1 of Beiliu WTE plant and phase 1 of Lufeng WTE plant commenced trial operation in 2018. Together with the stable contribution from the existing plants, the Group recorded satisfactory results for the year ended 31 December 2018.

OVERALL PERFORMANCE

For the year ended 31 December 2018, the Group's revenue was HK$3,325.9 million (2017: HK$2,397.5 million), representing an increase of 38.7% over 2017. Revenue from power sales and waste treatment was HK$1,563.7 million (2017: HK$1,079.2 million), representing an increase of 44.9%. The operating profit was HK$990.3 million (2017: HK$749.2 million). Profit attributable to equity holders of the Company was HK$754.4 million (2017: HK$564.2 million), representing an increase of 33.7%. Basic earnings per share was HK30.7 cents (2017: HK24.0 cents).

During the year, the Group implemented innocuous treatment of waste volume amounted to 5,033,698 tonnes, representing an increase of 42.7% as compared with 2017. The Group generated 2,053,530,000kWh from green energy, saving 618,641 tonnes of standard coal and reducing emission of carbon dioxide by 2,323,000 tonnes.

I. WASTE-TO-ENERGY BUSINESS

Processing Capacity

Operating Processing Capacity

As at 31 December 2018, the operating daily MSW processing capacity of 11 projects of the Group (including the project under management) reached 14,740 tonnes.

Total Processing Capacity

As at 31 December 2018, the operating, secured, announced and under management agreement daily MSW processing capacity of our 19 projects was 29,040 tonnes. As at the date of this annual report, the operating, secured, announced and under management agreement daily MSW processing capacity of our 22 projects was 32,440 tonnes.

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

	No. of projects	Daily MSW processing capacity (tonnes)
Southern China Region	15	22,240
Western China Region	2	4,200
Eastern China Region	2	3,000
Northern China Region	2	2,200
Central China Region	1	800
Total	**22**	**32,440**

Projects

There are 22 operating, secured, announced and managed projects in our portfolio as at the date of this annual report.

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

Location	Project(s)	Year ended 31 December 2018	2017
Southern China Region			
Guangdong Province	**Eco-Tech I WTE plant**		
	Waste treatment		
	Processed MSW *(tonnes)*	**642,937**	615,600
	Power generation		
	Power generated *(MWh)*	**295,969**	281,365
	Power sold *(MWh)*	**263,848**	250,856
	Eco-Tech II WTE plant *(Note 2)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**680,069**	498,879
	Power generation		
	Power generated *(MWh)*	**345,491**	235,875
	Power sold *(MWh)*	**310,946**	208,753
	Kewei WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**576,305**	560,328
	Power generation		
	Power generated *(MWh)*	**247,685**	249,277
	Power sold *(MWh)*	**218,018**	222,750
	China Scivest I WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**755,315**	711,542
	Power generation		
	Power generated *(MWh)*	**295,896**	294,187
	Power sold *(MWh)*	**261,232**	255,620
	China Scivest II WTE plant *(Note 3)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**528,133**	98,164
	Power generation		
	Power generated *(MWh)*	**263,236**	47,828
	Power sold *(MWh)*	**232,116**	42,936

Location	Project(s)	Year ended 31 December 2018	2017
Guangdong Province	**Lufeng WTE plant** *(Note 4)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**74,657**	N/A
	Power generation		
	Power generated *(MWh)*	**24,803**	N/A
	Power sold *(MWh)*	**20,469**	N/A
	Zhanjiang WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**666,408**	575,690
	Power generation		
	Power generated *(MWh)*	**215,572**	190,681
	Power sold *(MWh)*	**188,197**	166,030
Guizhou Province	**Xingyi WTE plant** *(Note 5)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**384,902**	300,686
	Power generation		
	Power generated *(MWh)*	**124,823**	95,058
	Power sold *(MWh)*	**103,265**	77,052
Guangxi Zhuang Autonomous Region	**Beiliu WTE plant** *(Note 6)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**263,948**	N/A
	Power generation		
	Power generated *(MWh)*	**92,104**	N/A
	Power sold *(MWh)*	**77,383**	N/A
	Laibin WTE plant *(Note 7)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**461,024**	166,332
	Power generation		
	Power generated *(MWh)*	**147,951**	58,057
	Power sold *(MWh)*	**124,712**	48,907
Total	***Waste treatment***		
	Processed MSW *(tonnes)*	**5,033,698**	3,527,221
	Power generation		
	Power generated *(MWh)*	**2,053,530**	1,452,328
	Power sold *(MWh)*	**1,800,186**	1,272,904

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: Eco-Tech II WTE plant commenced operation in April 2017.

Note 3: China Scivest II WTE plant commenced preliminary trial operation in late 2017.

Note 4: Phase 1 of Lufeng WTE plant commenced trial operation in the second half of 2018.

Note 5: Phase 2 of Xingyi WTE plant commenced operation in the first half of 2017.

Note 6: Phase 1 of Beiliu WTE plant commenced trial operation in the first half of 2018.

Note 7: Technological upgrade of Laibin WTE plant have been completed and resumed trial operation in the second half of 2017.

Southern China Region

Guangdong Province

Eco-Tech I & II WTE plants, Kewei WTE plant, China Scivest I & II WTE plants, Zhanjiang WTE plant, Zhongshan WTE plant (a project under management), continued to provide contributions in 2018.

Construction of phase 1 of Lufeng WTE plant was completed and its trial operation commenced in the second half of 2018.

Phase 1 of Dianbai WTE plant and Xinyi WTE plant are under construction, while construction of Xuwen WTE plant commenced in the first half of 2019 and Qingyuan WTE plant is still under planning.

Guizhou Province

Phase 2 of Xingyi WTE plant commenced operation in first half of 2017. It continued to provide contributions in 2018.

Guangxi Zhuang Autonomous Region

Laibin WTE plant provided stable contribution in 2018. Phase 1 of Beiliu WTE plant commenced trial operation in the first half of 2018 and phase 2 of Beiliu WTE plant is under construction and is expected to commence trial operation in the first half of 2019. On 30 May 2018, the Group acquired 100% equity interest in Beiliu Runtong at a consideration of RMB30.3 million (equivalent to HK$35.9 million). This transaction was completed on 30 June 2018.

Western China Region

Sichuan Province

Jianyang WTE plant is under planning. On 27 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng at a consideration of RMB87.0 million (equivalent to HK$98.2 million). It holds 50% equity interest in Jianyang Canvest, which in turn holds the Jianyang WTE plant. The transaction was completed in November 2018.

On 21 March 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Bazhong Weiao at a consideration of RMB222.4 million (equivalent to HK$261.1 million). Bazhong Weiao owns the BOT concession right to operate a WTE plant in Bazhong City, Sichuan Province. The total daily municipal solid waste processing capacity of the WTE plant is 1,200 tonnes, of which phase 1 is 600 tonnes (currently in operation) and phase 2 is 600 tonnes (under planning). Please refer to the announcement of the Company dated 21 March 2019 for further details.

Eastern China Region

Shandong Province

In December 2018, the Group has entered into the capital increase agreement with Zaozhuang Zhongke and its existing shareholders. It currently operates phase 1 of the WTE plant in Zaozhuang City, Shandong Province. The Group will undergo technological upgrade for phase 1 of this plant and phase 2 of this plant is under planning. Please refer to the announcement of the Company dated 13 December 2018 for further details.

On 18 March 2019, the Group entered into a joint venture agreement with Shanghai Fudan Water Engineering Technology Co., Ltd., Shanghai Nanyi Environmental Technology Company Limited and Shandong Sanding Company Limited to establish a project company, which will be principally engaged in the investment, construction and operation of a WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. The total daily municipal solid waste processing capacity of the WTE project shall be 1,200 tonnes. Please refer to the announcement of the Company dated 19 March 2019 for further details.

Northern China Region

Shanxi Province

In December 2018, the Group was conditionally awarded the concession rights in relation to a WTE plant located in Linfen City of Shanxi Province. A framework agreement was entered in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 10 December 2018 for further details.

Hebei Province

In January 2019, the Group was awarded the PPP project in relation to a WTE plant located in Mancheng district of Baoding City of Hebei Province. An agreement in relation to the award of the tender was entered into in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 21 January 2019 for further details.

Central China Region

Jiangxi Province

Construction of Xinfeng WTE plant was substantially completed and its trial operation commenced in the first half of 2019.

II. ENVIRONMENTAL HYGIENE AND RELATED SERVICES

To perfect our business model and in response to the demand from stakeholders, the Group further extended its business portfolio to the treatment of fly ash, bottom ash and environmental hygiene business.

The Group acquired 100% equity interest in Dongguan Lujia in March 2018. It holds a 35% equity interest in Dongguan Xindongyue, which currently owns the first landfill project for fly ash in Dongguan City. In 2018, Dongguan Xindongyue processed 130,903 tonnes solidified fly ash under the strict treatment requirement by the local environment authority.

The Group entered into an agreement in relation to the acquisition of 100% equity interest in Open Mind in November 2018. It ultimately holds 40% equity interest in Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC. Construction of the project was completed and its trial operation commenced in the first half of 2019.

On 13 December 2018, Yuezhan Intelligent Environmental entered into the sale and purchase agreement of share with independent third parties, pursuant to which Yuezhan Intelligent Environmental acquired 100% equity interest of Sichuan Jiajieyuan at a consideration of RMB80.0 million (equivalent to HK$91.3 million). The transaction was completed on 28 December 2018. Sichuan Jiajieyuan is principally engaged in the provision of environmental hygiene and related services in the PRC.

In March 2018, the Group acquired 41% equity interest in Johnson, a leading environmental hygiene service provider providing a wide range of environmental hygiene services in Hong Kong. According to an industry report, it ranked the first among other environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2017. To further expand its market share and strengthen its leading market position, it submitted the application for new listing to the Hong Kong Stock Exchange in January 2019.

REVENUE

During the year, the Group's revenue reached HK$3,325.9 million, representing an increase of 38.7% when compared with HK$2,397.5 million in 2017. Among that, revenue from power sales and waste treatment fees for the year reached HK$1,563.7 million, representing an increase of 44.9% from 2017. Increase in total revenue was mainly contributed by the operating revenue of phase 1 of Beiliu WTE plant and phase 1 of Lufeng WTE plant after completion of construction, and full year impact of the operation of Eco-Tech II WTE plant, China Scivest II WTE plant and Laibin WTE plant.

The following table sets forth the breakdown of revenue for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	HK$'000	**%**	HK$'000	%
Revenue from power sales	**1,129,326**	**33.9%**	772,609	32.2%
Revenue from waste treatment fees	**434,365**	**13.1%**	306,562	12.8%
Construction revenue arising from BOT arrangement	**1,696,409**	**51.0%**	1,265,853	52.8%
Finance income arising from BOT arrangement	**65,794**	**2.0%**	52,507	2.2%
Total	**3,325,894**	**100.0%**	2,397,531	100.0%

The following table sets forth the breakdown of revenue by region for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	HK$'000	**%**	HK$'000	%
Southern China Region	**2,832,862**	**85.2%**	2,397,531	100.0%
Central China Region	**493,032**	**14.8%**	—	—
Total	**3,325,894**	**100%**	2,397,531	100.0%

COST OF SALES

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

During the year, cost of sales increased by 41.2% from HK$1,578.9 million in 2017 to HK$2,228.8 million in 2018. The increase was mainly attributable to the operating costs of new plants commencing operation and increase in construction cost.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2017, gross profit of the Group amounted to HK$1,097.1 million, representing an increase of 34.0% as compared to HK$818.7 million in 2017. The increase in gross profit was mainly attributable to the contributions from the operating plants.

The following table sets forth the breakdown of the gross profit by nature for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	HK$'000	**%**	HK$'000	%
Power sales and waste treatment operations	**748,564**	**68.2%**	555,183	67.8%
Construction service arising from BOT arrangement	**282,734**	**25.8%**	210,975	25.8%
Finance income arising from BOT arrangement	**65,794**	**6.0%**	52,506	6.4%
Total	**1,097,092**	**100.0%**	818,664	100.0%

Gross profit margin of the Group decreased from 34.1% in 2017 to 33.0% in 2018. The slight decrease was mainly due to the lower gross profit margin during the trial operation stage for new plants commencing operation.

The following table sets forth the gross profit margin by nature for the years ended 31 December 2018 and 2017:

	Year ended 31 December	
	2018 Gross profit margin	2017 Gross profit margin
Power sales and waste treatment operations	**47.9%**	51.4%
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	**33.0%**	34.1%

GENERAL AND ADMINISTRATIVE EXPENSES

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

During the year, general and administrative expenses increased by 38.6% from HK$164.7 million in 2017 to HK$228.3 million in 2018. 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 22.2% from HK$106.6 million in 2017 to HK$130.3 million in 2018. It was mainly due to the additional operating plants which were entitled to VAT refund.

OTHER LOSSES, NET

During the year, other net losses recorded HK$8.8 million as compared to HK$11.4 million in 2017. The decrease was mainly attributable to the loss on disposal of certain fixed assets of Eco-Tech I WTE plant and Kewei WTE plant with a purpose to optimize the master layout with Eco-Tech II WTE plants in 2017, while no such loss was recorded in 2018.

INTEREST EXPENSE, NET

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the year, net interest expenses increased by 61.0% from HK$105.6 million in 2017 to HK$170.0 million in 2018. The increase in interest expenses was mainly due to finance costs related to Eco-Tech II WTE plant, China Scivest II WTE plant, phase 1 of Beiliu WTE and Laibin WTE plant were no longer eligible for capitalisation after construction works were completed and plants were ready for use and operation.

INCOME TAX EXPENSES

During the year, income tax expenses increased by 23.5% from HK$79.3 million in 2017 to HK$97.9 million in 2018. It is mainly attributable to the increase in deferred income tax as a result of the increase in construction income, which is partly offset by the decrease in current enterprise income tax.

PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

During the year, profit attributable to the equity holders of the Company increased by 33.7%, from HK$564.2 million in 2017 to HK$754.4 million in 2018.

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources

During the year, the Group generated HK$1,118.1 million cash from operating projects (2017: HK$646.2 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$1,271.9 million (2017: HK$1,314.4 million). As a result, total net cash used in operating activities amounted to HK$153.8 million during the year (2017: HK$668.2 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2018, total cash and cash equivalents of the Group were HK$1,317.4 million (31 December 2017: HK$1,347.8 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 PROCEEDS FROM THE PLACING OF SHARES TO TRUE VICTOR

To facilitate the growth and development by leveraging on the projects, technical, operation and financial edges of the Group and SIHL, the Company established a strategic partnership with SIHL and entered into a subscription agreement on 17 February 2017, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe for 300,000,000 ordinary Shares with nominal value of HK$3,000,000 at the subscription price of HK$3.5 per share. The closing price of the Shares was HK$3.84 on 17 February 2017, being the date of the subscription agreement. The subscription was completed on 28 March 2017, and net proceeds of approximately HK$1,018.0 million (after deducting related expenses) were received by the Group. The net price per subscription Share was approximately HK$3.4. The proceeds have not been fully utilized as at 31 December 2018 and as at the date of this annual report.

Details of the use of proceeds from the placing of shares to True Victor are as follows:

	Net proceeds raised HK$'000	Actual use of the net proceeds		Unused balance as at 31 December 2018 HK$'000	Expected timeline for the use of unused balance
		in 2017 HK$'000	**in 2018 HK$'000**		
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	712,610	214,960	**311,207**	186,443	Before 31 December 2019*
Working capital and other general corporate purposes	305,403	79,101	**226,302**	—	N/A
	1,018,013	294,061	**537,509**	186,443	N/A

*Note: Actual timing of utilising the proceeds for developing greenfield projects or acquiring existing WTE plants is subject to the timing of receiving approval from local regulatory authorities.

FUND FORMATION WITH BOC & UTRUST AND UTRUST INTERNATIONAL

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 PPP 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 December 2017, Kewei and Canvest Yuezhan, wholly-owned subsidiaries of the Company, as the sub-preferential limited partner and the deferred limited partner, respectively, entered into the Partnership Agreement with Guangdong Utrust, as the preferential limited partner, and BOC & UTRUST, as the general partner, in relation to the establishment of the Fund. Pursuant to the partnership agreement, the Fund is expected to have an aggregate capital commitment of RMB1,501 million, among which, Kewei and Canvest Yuezhan shall commit to contribute RMB200 million and RMB100 million, respectively, while Guangdong Utrust shall commit to contribute RMB1,200 million and the general partner shall commit to contribute RMB1 million. The purpose of the Fund shall be to invest in potential WTE projects. Please refer to the announcement of the Company dated 5 December 2017 for further details. As at the date of this annual report, the Fund has not been utilized.

BORROWINGS

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2018, the Group's bank borrowings was HK$4,128.8 million (31 December 2017: HK$3,159.9 million). Such bank borrowings were secured by pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2017: all denominated in Renminbi) and all of them were at floating interest rates (31 December 2017: same).

On 31 May 2018, the Company (as borrower) entered into a Common Terms Agreement and Certain Loan Agreements (the "Agreements") thereunder relating to certain term loans in the aggregate amount of HK$1,176.0 million (the "Loans") with seven banks and financial institutions ("Senior Lenders"). The term of the Loans is 60 months commencing from the date of the Agreements. On 5 July 2018, the Company entered into supplemental agreements in respect of the Agreements with the Senior Lenders whereby the aggregate amount of the term loans contemplated under the Agreements was increased from HK$1,176.0 million to HK$1,409.2 million. Please refer to the announcement of the Company dated 31 May 2018 and 5 July 2018 for further details. As at the date of this annual report, HK$704.6 million had been utilised.

Net asset of the Group was HK$5,294.6 million (31 December 2017: HK$4,890.3 million). The increase in net asset was mainly attributable to the profit generated during the year.

The following table sets forth the analysis of the borrowings as at 31 December 2018 and 2017:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Portion of term loans due to repayment after one year — secured	**3,616,936**	2,797,061
Portion of term loans due for repayment within one year — secured	**511,867**	362,798
Total bank borrowings	**4,128,803**	3,159,859

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2018, the gearing ratio was 51.5% (31 December 2017: 47.2%).

As at 31 December 2018, the Group had banking facilities (including the Loans) in the amount of HK$5,161.1 million, of which HK$1,012.7 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

COST OF BORROWINGS

For the year ended 31 December 2018, the total cost of borrowings of the Group was HK$176.1 million (2017: HK$112.0 million), representing an increase of 57.2%. The increase was mainly attributable to the finance costs related to Eco-Tech II WTE plant, China Scivest II WTE plant, phase 1 of Beiliu WTE plant and Laibin 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 4.41% to 5.64% in 2018, while it was from 3.96% to 5.39% in 2017.

For the year ended 31 December 2018, no imputed interest expenses and interests paid in relation to the convertible loan were recorded. (2017: HK$10.8 million of imputed interest expenses and HK$3.0 million interest paid).

FOREIGN EXCHANGE RISK

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

COMMITMENTS

As at 31 December 2018, the Group's capital commitments, which were authorised but not contracted for amounted to HK$2,867.7 million (31 December 2017: HK$2,377.3 million) and its capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$999.5 million (31 December 2017: HK$542.5 million) and capital commitment relating to, acquisition of subsidiaries amounted to HK$16.0 million (31 December 2017: Nil), capital injection in Zaozhuang Zhongke amounted to HK$284.0 million (31 December 2017: Nil) and the capital contribution to a joint venture of HK$74.2 million (31 December 2017: Nil).

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

Acquisition of 100% equity interest in Dongguan Lujia

On 23 March 2018, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Dongguan Lujia at a consideration of RMB93.0 million (equivalent to HK$110.3 million). Dongguan Lujia holds a 35% equity interest in Dongguan Xindongyue, which currently owns the first landfill project for fly ash in Dongguan City. Please refer to the announcement of the Company dated 23 March 2018 for further details. The transaction was completed on 30 June 2018.

Acquisition of 41% equity interest in Johnson

On 23 March 2018, the Group entered into an agreement in relation to the acquisition of 41% equity interest in Johnson at a consideration of HK$184.5 million. Johnson is principally engaged in the provision of cleaning and waste management services for government, commercial, and industrial markets in Hong Kong. Please refer to the announcement of the Company dated 23 March 2018 and 6 April 2018 for further details. This transaction was completed on 27 March 2018.

Acquisition of 100% equity interest in Open Mind

On 30 November 2018, the Group entered into an agreement in relation to the acquisition of 100% of Open Mind at a consideration of RMB140.0 million (equivalent to HK$158.0 million). Open Mind holds a 100% equity interest in Loyal Step, which in turn holds 40% equity interest in Zhongzhou Environmental. Zhongzhou Environmental is principally engaged in the treatment of bottom ash produced from the incineration of waste in the PRC. Please refer to the announcement of the Company dated 30 November 2018 for further details. As at the date of this annual report, the transaction has not been completed.

Acquisition of 100% equity interest in Sichuan Jiajieyuan

On 13 December 2018, Yuezhan Intelligent Environmental entered into the sale and purchase agreement of share with independent third parties, pursuant to which Yuezhan Intelligent Environmental acquired 100% equity interest of Sichuan Jiajieyuan at a consideration of RMB80.0 million (equivalent to HK$91.3 million). The transaction was completed on 28 December 2018. Sichuan Jiajieyuan is principally engaged in the provision of environmental hygiene and related services in the PRC.

Capital increase in Zaozhuang Zhongke

In December 2018, the Group entered into a capital increase agreement with Zaozhuang Zhongke and its existing shareholders. Zaozhuang Zhongke currently operates phase 1 of the WTE plant in Zaozhuang City, Shandong Province. The Group will undergo technological upgrade for phase 1 of this WTE plant and phase 2 of this WTE plant is under planning. Please refer to the announcement of the Company dated 13 December 2018 for further details.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company during the year ended 31 December 2018.

UPDATE ON CHINA SCIVEST WTE PLANT

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the year ended 31 December 2018, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

CAPITAL EXPENDITURES

For the year ended 31 December 2018, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounted to HK$1,454.1 million (2017: HK$1,392.8 million). Capital expenditures were mainly funded by bank borrowings, funds generated from operating activities and capital contributions from Shareholders.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2018.

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, restricted deposits prepaid operating lease payments, property, plant and equipment, and concession rights with an aggregate carrying amount of HK$3,681.8 million (31 December 2017: HK$3,098.9 million) to certain banks to secure certain banking facilities granted to the Group.

HUMAN RESOURCES

As at 31 December 2018, the Group employed a total of 2,559 employees, 41 of them were at management level. By geographical locations, it had 2,533 employees in the PRC and 26 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and 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 2018 were HK$228.4 million (2017: HK$153.8 million).

EVENTS AFTER BALANCE SHEET DATE

Entered into a PPP agreement

In January 2019, the Group has entered into a framework agreement in relation to the WTE plant PPP project located in Mancheng district of Baoding City of Hebei Province (the "Mancheng WTE Plant") with the Mancheng Housing and Urban and Rural Bureau of Construction in Baoding City. The total daily municipal solid waste processing capacity of the Mancheng WTE Plant shall be 1,000 tonnes. Please refer to the announcement of the Company dated 21 January 2019. As at the date of this annual report, no concession agreement has been entered into.

Formation of Joint Venture Company

On 18 March 2019, the Group entered into a joint venture agreement with Shanghai Fudan Water Engineering Technology Co., Ltd. ("Shanghai Fudan"), Shanghai Nanyi Environmental Technology Company Limited and Shandong Sanding Company Limited to establish a project company which will be principally engaged in, the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province.

The registered capital of the project company shall be RMB105,000,000, and the Group shall contribute RMB21,000,000 in cash towards the registered capital of the project company and hold 20% of the equity interest in the project company. Shanghai Fudan is a subsidiary of SIIC Environment Holdings Ltd ("SIIC"). SIIC is an associate of SIHL, which is a substantial Shareholder of the Company. As such, Shanghai Fudan is a connected person of the Company and the entering into of the joint venture agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 19 March 2019 for further details.

Acquisition of 100% equity interest in Bazhong Weiao

On 21 March 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Bazhong Weiao, at a consideration of RMB222,380,000 (equivalent to HK$261,096,000). Bazhong Weiao owns the BOT concession right to a WTE plant in Bazhong City, Sichuan Province with a total daily municipal solid waste processing capacity of 1,200 tonnes. Please refer to the announcement of the Company dated 21 March 2019 for further details. At the date of this annual report, the transaction has not been completed.

DIVIDENDS

During the year, the Company declared an interim dividend of HK1.9 cents per ordinary share. (2017: HK1.3 cents). The Board has proposed the payment of a final dividend of HK2.7 cents (2017: HK2.0 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the AGM of the Company to be held on Thursday, 13 June 2019, the proposed final dividend is expected to be paid on Friday, 5 July 2019 to Shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.

PRINCIPAL RISK AND UNCERTAINTIES

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

Major identified risks and uncertainties are listed as follows:

Risks	Nature
Strategy	
Business geographical concentration	If business is highly concentrated in one location and when natural hazards or market recession happen, the assets and properties of the Group may be subjected to serious losses and damages, and its overall business and operating results may be materially and adversely affected.
Public perception	The negative public perception of the WTE projects may materially and adversely affect the business, financial position and operating results.
Compliance	
Operation compliance	If the Group fails to obtain necessary certificates, licenses, permits or governmental approval or fails to comply with various laws and regulations in respect of its business operation, the business, financial position and operating results of the Group may be adversely affected. If there is any change to the permits, approval, laws or regulations, the Company may be required to pay additional costs or to make additional investments.
Concession arrangement	The projects under concession arrangement are subject to stringent contractual obligations and any non-compliance with any provisions of agreements may cause the Group to be penalized or agreements to be terminated.
Compliance with the Listing Rules and other relevant laws	If the Company fails to comply with the Listing Rules and or other relevant laws, its reputation and daily operation would be affected.
Operation	
Technological evolvement	The Group may not able to adapt technological evolvement or obtain approval to upgrade its technology for any technological evolvement.
Contractors	The Group rely on independent contractors to construct new projects. If contractors fail to duly complete their projects, it may materially and adversely affect our operating results. If the Group fails to manage its contractors in an appropriate manner, it may differ the scope of work of the contractors from the scheduled targets and cause the final result to deviate from the strategy of the Group.

Risks	Nature
Operational efficiency	The assets and operation of the Group may be exposed to various interferences and risks, which may cause our operation performance falling below the anticipated efficiency level and lead to an adverse effect on the Group.
Equipment maintenance and failure	The Group heavily rely on machinery and equipment for its daily operation. If parts of equipment are required for replacement, and when it is difficult to or failed to find suitable parts of equipment for replacement, or when malfunction equipment or failure procedure occurs, or when human errors and accidents appear, it may materially or adversely affect the operation of the Group.
Finance	
Financial budget	The Group is exposed to various risk factors and operational risks, which may lead to unexpected costs and over-expenditure (e.g. the fines imposed due to damages or losses suffered by third parties during the normal course of business).

CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2018, the Company has complied with the code provisions as set out in the CG Code.

THE BOARD

Role of the Board

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

Board composition

During the year ended 31 December 2018 and up to the date of this annual report, the Board comprises the following directors:

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

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

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

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 42 to 46 of this annual report.

With a view to achieving a sustainable and balanced development, the Directors recognise the diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services as essential elements in supporting the attainment of its strategic objectives and its sustainable development. The Board is responsible for formulating the Group's overall strategies, making major corporate and operational decisions of the Group and presenting a clear guidance to the senior management. The senior management are responsible for supervising and executing the Board policies and strategies, as well as provision of updates on the Group's performance to the Board to enable the Board to deliver and discharge its duties.

Chairlady, Deputy Chairman and Chief Executive Officer

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

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

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

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

Independence of the Independent Non-executive Directors

During the year ended 31 December 2018 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. By 31 December 2018, no independent non-executive Director has served the Company for more than 9 years.

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

BOARD DIVERSITY POLICY

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

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

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

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

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

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

A: reading materials in relation to the update of the rules and regulations, and director's duties and responsibilities
B: attending site visit arranged by the Company

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2018.

BOARD AND BOARD COMMITTEE MEETINGS

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

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

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

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

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

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

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

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

During the year, the Board held a total of 7 meetings. Each Director's attendance record is set out as follow:

	Number of attendance/meeting held in 2018					
Name of Directors	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General meeting
Lee Wing Yee Loretta	7/7	—	—	—	1/1	1/1
Lai Kin Man	7/7	—	—	—	—	1/1
Yuan Guozhen	7/7	—	—	—	—	1/1
Lai Chun Tung	7/7	—	—	—	—	1/1
Feng Jun	6/7	—	—	—	—	1/1
Lui Ting Cheong Alexander	7/7	2/2	—	—	—	1/1
Lai Yui	7/7	—	—	—	—	1/1
Sha Zhenquan	7/7	2/2	1/1	1/1	1/1	1/1
Chan Kam Kwan Jason	7/7	2/2	1/1	1/1	1/1	1/1
Chung Wing Yin	7/7	2/2	1/1	1/1	1/1	1/1
Chung Kwok Nam	7/7	—	—	—	—	1/1

THE COMMITTEES OF THE BOARD

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

AUDIT COMMITTEE

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

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

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

During the year, the audit committee held 2 meetings in March and August 2018, the agenda of which is set out below:

— Reviewing annual results of 2017, annual report of 2017, interim results of 2018 and interim report of 2018;

— Reviewing audit and review works reports of the external auditor and discussing key audit matters with external auditor;

— Discussing and reviewing internal audit report and effectiveness of the internal control system;

— Reviewing the significant accounting policy and the impact of the adoption of new financial reporting standards;

— Considering the re-appointment of external auditors of the Company and its independence; and

— Reviewing the resources of accounting and financial reporting functions of the Group.

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

EXTERNAL AUDITOR

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2018 AGM and there was no change of the auditors of the Company for the preceding three years. For the year ended 31 December 2018, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2018 HK$'000	2017 HK$'000
Fee for audit services	**3,000**	2,700
Fee for non-audit services	—	944

REMUNERATION COMMITTEE

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

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

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

— Reviewing the remuneration adjustments of senior management in 2018;

— Determining the policy for the remuneration of executive Directors, confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2017; and

— Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2018.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2018 is set out below:

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

NOMINATION COMMITTEE

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

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

NOMINATION PROCEDURES AND PROCESS

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

- For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.

- For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

- A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the Listing Rules.

- A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his or her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as may be considered relevant to his or her proposed election; and (ii) the written consent by that person to the publication of his or her personal data provided pursuant to (i) immediately above.

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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

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

(i) participating in Board meetings to bring an independent judgment on issues of corporate strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(ii) taking the lead where potential conflicts of interests arise;

(iii) serving on the audit committee, the remuneration committee and the nomination committee (in the case of candidate being a non-executive Director) and other relevant Board committees, if invited;

(iv) bringing a range of business and financial experience to the Board or any other committees by his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board meetings or meetings of any committees;

(v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(vi) ensuring that the nomination committee on which he or she serves to perform their powers and functions conferred on them by the Board; and

(vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

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

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

<table>
<tr><th></th><th colspan="11">Number of Director</th></tr>
<tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td><td>11</td></tr>
<tr><td>Gender</td><td>Female</td><td colspan="10">Male</td></tr>
<tr><td>Designation</td><td colspan="4">Executive Directors</td><td colspan="3">Non-executive Directors</td><td colspan="4">Independent Non-executive Directors</td></tr>
<tr><td>Age Group</td><td colspan="2">31-40</td><td colspan="5">41-50</td><td colspan="3">51-60</td><td>61-70</td></tr>
<tr><td>Skill/Experience</td><td colspan="5">Experience in project development and general management</td><td colspan="3">Extensive experience in securities and investment industry</td><td colspan="2">Extensive experience in accounts and financial services</td><td>Qualified lawyer</td></tr>
<tr><td>Length of Services</td><td colspan="2">Less than 2 years</td><td colspan="7">Less than 4 years</td><td colspan="2">Less than 5 years</td></tr>
</table>

During the year, the nomination committee held a meeting in March and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Ms. Loretta Lee, Mr. Yuan Guozhen, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason, and advising the Board on the re-election of such retiring Directors at the 2019 AGM. Also, the nomination committee reviewed the structure, size and composition of the Board and assessed the independence of independent non-executive Directors.

CORPORATE GOVERNANCE COMMITTEE

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

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

DIRECTORS RESPONSIBILITY IN FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

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

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

COMPANY SECRETARY

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 45 of this annual report.

SHAREHOLDERS' RIGHTS

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

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

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

(b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

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

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

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

DIVIDEND POLICY

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

2018 ANNUAL GENERAL MEETING

At the 2018 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during 2018.

COMMUNICATION WITH SHAREHOLDERS

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

— Apart from publishing the annual reports, interim reports, announcements, and circulars to Shareholders on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk), the Company had also posted onto its website the financial highlights, press release, and the terms of reference of the Board's committees, such that Shareholders can obtain more corporate information from the website of the Company;

— The Company is committed to improve its investor relations. During the year 2018 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;

— The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 146 in the corporate information of this annual report;

— The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2018 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk); and

— The Company's notice of 2019 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

CONSTITUTIONAL DOCUMENTS

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS' PROFILE

Executive Directors

Ms. Lee Wing Yee Loretta (李詠怡), aged 44, was appointed as a Director on 28 January 2014 and re-designated as an executive Director and the chairlady of our Company on 24 September 2014. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee served as an officer of the finance and human resource department of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1997 to September 2012 and the last position she held was manager of the finance and human resource department. The principal business of Dongguan Sanyang Industrial Development Co., Ltd included the trading of heavy oil. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), aged 39, was appointed as a Director on 10 February 2014 and re-designated as an executive Director and the deputy chairman of our Company on 24 September 2014. He has been a director of Eco-Tech since June 2003 and a director of Kewei since October 2011. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Before founding our Group, Mr. KM Lai worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1998 to October 2002 and was responsible for business development. He served as the legal representative, chairman and general manager of Guangdong Canvest Investments Company Limited (廣東粵豐投資有限公司) (formerly known as Dongguan Canvest Industrial Investments Limited (東莞市粵豐實業投資有限公司)) from November 2002 to September 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

Mr. Yuan Guozhen (袁國楨), aged 53, was appointed as an executive Director on 24 September 2014. Mr. Yuan is the Chief Executive Officer of our Group. He is responsible for executing the overall strategies and managing the daily operation of our Group. Mr. Yuan is a director of Eco-Tech since June 2003 and a director and general manager of Kewei since October 2011. He is also the legal representative and director of Zhanjiang Canvest and Canvest Consultancy since their respective establishment. He served as the executive deputy general manager of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1995 to July 2004 and was mainly responsible for assisting the general manager in the operation and management of the company. Mr. Yuan served as general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)) from July 2004 to September 2008. He served as the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. The principal business of Dongguan China Power New Energy Heat and Power Company Limited, a subsidiary of CPNE, includes natural gas power generation. Yunnan Shuang Xing Green Power Company Limited is also a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in June 2009.

Mr. Lai Chun Tung (黎俊東), aged 44, was appointed as an executive Director on 24 September 2014. Mr. CT Lai is the legal representative, general manager and a director of Eco-Tech since August 2007, a director of Kewei since February 2009, a director of Zhanjiang Canvest since its establishment in April 2013 and the legal representative, general manager and a director of Canvest Yuezhan Environmental Investment (Guangdong) Company Limited since its establishment in February 2017. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 10th, 11th and 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), and a standing member of the 12th and the 13th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議東莞市委員會). Mr. CT Lai has worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) since September 1997 and is currently its general manager. He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2007. Mr. CT Lai obtained a DBA degree from IPAG Business School in July 2018. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

Non-executive Directors

Mr. Feng Jun (馮駿), aged 55, is the chief representative of the Shanghai Representative Office of SIHL, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 363), an executive director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK. SG) since December 2009 and listed on the Main Board of Hong Kong Stock Exchange since March 2018 (stock code: 807), a vice president of SIIC Management (Shanghai) Ltd, and a chief executive officer of Shanghai overseas company. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics in 1987. Mr. Feng was an assistant chief executive officer and the chief investment officer of SIHL, a deputy manager of the trust department of Shanghai International Trust Co., a director and vice president of SIIC Investment Company Limited and a director and deputy general manager of The Tien Chu (Hong Kong) Company Limited. He has over 30 years' experience in capital markets operation.

Mr. Lui Ting Cheong Alexander (呂定昌), aged 39, was appointed as a non-executive Director on 24 September 2014. He is a managing director of Olympus Capital Holdings Asia where he co-heads the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since October 2008. He has been a director of Dongjin Green Tech Holdings Co., Ltd, a leading manufacturer of recycled polyester staple fiber, filamenx, and woven fabric using recycled plastics in China since August 2018. He has also been the director of Li Tong EnviroTech Holdings Limited, a leading global reverse supply chain service provider to technology, electronics, and telecom sectors since November 2015. From July 2009 to March 2010, Mr. Lui served as the interim chief financial officer of Zhaoheng Hydropower Holdings Limited. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till August 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in May 2001.

Mr. Lai Yui (黎叡), aged 44, was appointed as a non-executive Director on 24 September 2014. He has been employed by various subsidiaries of BOC International Holdings Limited as managing director since January 2013 and is currently serving as the Chief Executive Officer of CITP Advisor (Hong Kong) Ltd. Before joining BOC International Holdings Limited, he served as a director of Temasek Holdings (Private) Limited since June 2007. Mr. Lai graduated from University of Pennsylvania with a bachelor of science degree and a bachelor of arts degree (both magna cum laude) in May 1997.

Independent Non-executive Directors

Professor Sha Zhenquan (沙振權), aged 59, was appointed as an independent non-executive Director on 7 December 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Sha was engaged as a counselor of Guangdong Province by Guangdong Provincial Government since March 2019. He was an independent director of Shenzhen Noposion Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215) from December 2009 to December 2015 and an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014. He is an independent director of Dongling International Investment Co., Ltd. (廣州東淩國際投資股份有限公司) (formerly known as Dongling Grain and Oil Co., Ltd. (廣州東凌糧油股份有限公司)) (stock code: 000893) and Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319), which are companies listed on the Shenzhen Stock Exchange. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in December 1982, a master's degree in engineering from South China University of Technology (華南理工大學) in July 1991 and a doctor's degree in philosophy from City University of Hong Kong in November 2001.

CHAN Kam Kwan Jason (陳錦坤), aged 45, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and secretary of Brockman Mining Limited (Stock Code: 0159). He is the company secretary of Frontier Services Group Limited (Stock Code: 0500). He is the company secretary of Concord New Energy Group Limited (Stock Code: 0182). He had been the executive director and company secretary of Lajin Entertainment Network Group Limited (Stock Code: 8172) until October 2018. He was appointed as the independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) from November 2017. Each of Brockman Mining Limited, Frontier Services Group Limited, Concord New Energy Group Limited, Lajin Entertainment Network Group Limited and 1957 & Co. (Hospitality) Limited is a company listed on the Hong Kong Stock Exchange. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia.

Mr. Chung Wing Yin (鍾永賢), aged 41, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in August 2002 and a solicitor of the Supreme Court of England and Wales in October 2003, respectively. He is a partner of Chungs Lawyers and has over ten years' experience in legal professional industry. Before founding Chungs Lawyers, Mr. Chung worked at several Hong Kong law firms Mr. Chung's practice areas include general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. He is the independent non-executive director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock Code: 6122) and CBK Holdings Limited (Stock Code: 8428). Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in December 1999 and December 2004, respectively. Mr. Chung was appointed as the chairman of the Appeal Tribunal Panel (Buildings Ordinance) by the government of the Hong Kong Special administrative Region in December 2018 and he was also appointed as a China Appointed Attesting Officer (Hong Kong) by the Ministry of Justice, the PRC in January 2019.

Mr. Chung Kwok Nam (鍾國南), aged 67, has over 40 years' experience in banking and management. He was a zone manager of Industrial & Commercial Bank of China (Asia) Limited ("ICBC Asia") until his retirement in January 2013. Before joining ICBC Asia, he was a branch manager of The Hongkong and Shanghai Banking Corporation Limited. He graduated in Pui Chung College in 1971.

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

SENIOR MANAGEMENT'S PROFILE

Mr. Song Lanqun (宋蘭群), aged 51, joined our Group in February 2004 and was appointed as vice president and chief engineer of our Group on 24 September 2014 and is responsible for production operation and technology management of our Group. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Mr. Song worked at Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) as deputy general manager and chief engineer from February 1997 to February 2004. The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in July 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in July 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in December 2004.

Mr. Chen Bo (陳波), aged 43, joined Kewei in March 2009 and was appointed as vice president and chief engineer of our Group on 24 September 2014. He joined China Scivest from Kewei in June 2011 as executive deputy general manager and chief engineer. He became a director of China Scivest in December 2012. He is responsible for production operation and technology management of our Group. Mr. Chen first joined Eco-Tech as a chief engineer in March 2003. Mr. Chen served as a deputy general manager and chief engineer of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Power Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Chen worked at Kewei as the deputy general manager and the chief engineer from March 2009 to May 2011 and then joined China Scivest in June 2011 to lead the Technological Upgrade of China Scivest WTE Plant. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in July 2000 with a bachelor of engineering degree in thermal power engineering.

Ms. Wong Ling Fong Lisa (王玲芳), aged 45, joined our Group in June 2013 as the chief financial officer. She has also been our company secretary since 24 September 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. She was in charge of the investment department of Ng's International Investment Co. Ltd. from March 2009 to January 2012 and left Ng's International Investment Co. Ltd. as chief operation officer in the investment department. Ms. Wong was the financial controller responsible for financial planning and daily management of accounting department of Wah Yuet (Ng's) Group Holdings Limited from February 2005 to March 2009. She worked at KPMG from September 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in November 1998 with a degree of bachelor of arts in accountancy.

Ms. Guo Huilian (郭惠蓮), aged 49, joined our China Scivest in August 2011 and was appointed as vice president of our Group on 24 September 2014. She is responsible for the administration and procurement of our Group. Ms. Guo currently serves as a director and general manager of China Scivest since August 2011 and January 2013, respectively. She has also been a director of Canvest Consultancy since its establishment in April 2014. She served as a deputy general manager of Dongguan Dongqiang Industrial Development Co., Ltd (東莞市東強實業發展有限公司) from June 1998 to August 2008 and was mainly involved in the management of construction business. Before joining China Scivest, Ms. Guo also served as a deputy general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)), a subsidiary of CPNE, from November 2008 and was mainly involved in managerial function and financial management of natural gas power generation business. The principal business of Dongguan China Power New Energy Heat and Power Company Limited includes natural gas power generation. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in July 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

Ms. Zhang Xunmei (張洵梅), aged 50, joined Kewei in March 2009 and was appointed as vice president of our Group on 25 August 2014. She is a director of China Scivest. She joined China Scivest from Kewei in June 2011 and serves as deputy general manager of China Scivest since June 2012. She is responsible for the financial management of China Scivest and Zhanjiang Canvest. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in December 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in May 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in November 2000. She worked at Dongguan Wufang Electrical Engineering Company Limited (東莞市五方電力工程有限公司) in various roles in relation to accounting from November 1996 to October 2005. Before joining our Group in March 2009, Ms. Zhang served as financial manager and the assistant to the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to February 2009. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes the generation and sale of electricity. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in July 1989 with an associate degree (大專學歷) in industrial moulding design.

Mr. Zhao Li (趙立), aged 50, joined our Group in 2015 and was appointed as vice president of our Group and is responsible for the construction of phase II of Eco-Tech. Mr. Zhao served as a deputy general manager and chief engineer of Dongguan Dongcheng Dongxing Cogeneration Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Cogeneration Company Limited (東莞中電新能源熱電有限公司), a subsidiary of CPNE, from 2003 to 2014. He graduated from the Wuhan University in 1990 with a bachelor of engineering degree in thermal power engineering of power plant. He has over 27 years' experience in energy sector.

REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2018.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2018 are set out in note 14 to the consolidated financial statements.

RESULTS AND OVERALL PERFORMANCE

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 66 of this annual report.

Business review of the Group during the year ended 31 December 2018, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 4 to 7 of this annual report. Management discussion and analysis are set out on pages 12 to 28 of this annual report.

DIVIDENDS

The Board has proposed the declaration of a final dividend of HK2.7 cents per ordinary share for the year ended 31 December 2018 (2017: HK2.0 cents per ordinary share). If approved by shareholders, the proposed final dividend are expected to be paid on Friday, 5 July 2019 to Shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019. Total dividend of 2018 was HK4.6 cents per share.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2018 are set out in note 25 to the consolidated financial statements.

As at 31 December 2018, the Company had 2,454,932,169 shares in issue.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2018 are set out on page 71 of this annual report.

As at 31 December 2018, the reserves of the Company available for distribution to shareholders amounted to HK$2,762.4 million (2017: HK$2,756.5 million).

CHARITABLE DONATIONS

The total amount of charitable donations made by the Group during the year ended 31 December 2018 was HK$0.8 million.

USE OF PROCEEDS FROM THE PLACING OF SHARES TO TRUE VICTOR

To facilitate the growth and development by leveraging on the projects, technical, operation and financial edges of the Group and SIHL, the Company established a strategic partnership with SIHL and entered into a subscription agreement on 17 February 2017, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe for 300,000,000 ordinary Shares with nominal value of HK$3,000,000 at the subscription price of HK$3.5 per share. The closing price of the Shares was HK$3.84 on 17 February 2017, being the date of the subscription agreement. The subscription was completed on 28 March 2017, and net proceeds of approximately HK$1,018.0 million (after deducting related expenses) were received by the Group. The net price per subscription Share was approximately HK$3.4. The proceeds have not been fully utilized as at 31 December 2018 and as at the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018, the property, plant and equipment of the Group amounted to approximately HK$1,391.6 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 17 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2018 are set out in note 26 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2018 are set out in note 11 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 2.23 to the consolidated financial statements.

FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2018 and the 5 preceding financial years is set out on pages 143 to 144 of this annual report.

DIRECTORS

The list of Directors of the Board is set out on page 29 of this annual report and their biographical details are set out on pages 42 to 45 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Ms. Loretta Lee, Mr. Yuan Guozhen, Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason will retire at the 2019 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

SENIOR MANAGEMENT

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

DIVIDEND POLICY

Details of the dividend policy adopted by the Company is set out in the corporate governance report on pages 29 to 41 of this annual report.

CONNECTED TRANSACTION

On 18 March 2019, World Prosperous, an indirect wholly-owned subsidiary of the Company, entered into the joint venture agreement with Shanghai Fudan Water Engineering Technology Co., Ltd. (上海復旦水務工程技術有限公司), Shanghai Nanyi Environmental Technology Company Limited (上海南一環保科技有限公司) and Shandong Sanding Company Limited (山東三鼎置業有限公司) to establish the joint venture company which will be principally engaged in the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province.

The registered capital of the joint venture company shall be RMB105,000,000. The total investment of the joint venture company shall be RMB350,000,000. The Company shall contribute RMB21,000,000 in cash towards the registered capital of the joint venture Company and hold 20% of the equity interest in the joint venture Company. Shanghai Fudan is a subsidiary of SIIC Environment Holdings Ltd ("SIIC"). SIIC is an associate of SIHL, which is a substantial Shareholder of the Company. As such, Shanghai Fudan is a connected person of the Company and the entering into of the joint venture agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 19 March 2019 for further details.

CONTINUING CONNECTED TRANSACTION

On 12 July 2018, Yue Xing, a company jointly-owned by Mr. CT Lai and his associate, as landlord, and the Company, as tenant, entered into a leasing framework agreement ("Leasing Framework Agreement") in relation to the leasing of Yue Xing's offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive).

Yue Xing is a company jointly-owned by Mr. CT Lai, an executive Director of the Company and his associate, and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. The annual rental income ("Annual Cap(s)") paid for the period from 13 July 2018 to 31 December 2018 is RMB3,500,000. The Annual Caps for the financial years ending 31 December 2019 and 2020 are RMB7,000,000 and RMB7,000,000 respectively, and the Annual Cap for the period from 1 January 2021 to 30 June 2021 is RMB3,500,000. For the year ended 31 December 2018, the rent paid by the Group to Yue Xing was HK$2,739,000 (2017:HK$2,146,000). The Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have examined the specific implementation of the continuing connected transaction and confirmed that:

— the continuing connected transactions contemplated under the Leasing Framework Agreement were entered into in the ordinary and usual course of business of the Company;

— the continuing connected transactions contemplated under the Leasing Framework Agreement were carried out on normal commercial terms or more favorable terms; and

— the continuing connected transactions were carried out in accordance with the Leasing Framework Agreement in respect thereof, the terms of which were fair and reasonable and in the interest of our Shareholders as a whole.

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

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. Details of the movement in share options of the Company during the year ended 31 December 2018 are set out in note 25(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	To recognise, motivate and provide incentives to eligible participants who make contributions to the Group: 1. To motivate the eligible participants to optimise their performance and efficiency; and 2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: 1. Any full-time or part-time employees of any member of the Group; 2. Any consultant or advisor of any member of the Group; 3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group; 4. Any substantial shareholder of any member of the Group; and 5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2018, 25 March 2019 and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.02%, 8.02% and 8.02% of the issued share capital of the Company as at 31 December 2018, the annual results announcement dated 25 March 2019 and as at the date of this annual report, respectively.
Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The minimum period for which an option must be held before it can be exercised	A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any option granted under the Share Option Scheme can be exercised. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.
The amount payable on application or acceptance of the option, and the period within which payments or calls must or may be made, or loans for such purposed must be paid	Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.
The basis of determining the exercise price	The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined solely by the Board and notified to a grantee and shall be at least the higher of: 1. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; 2. The average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and 3. The nominal value of a Share on the date of grant of the option.
Validity of the Share Option Scheme	10 years, from 7 December 2014 to 6 December 2024.

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, 2015 annual report, 2016 annual report, 2017 annual report, 2018 interim report and note 25 to the consolidated financial statements for further details.

Name or category of participant	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2018	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Directors									
Ms. Loretta Lee	250,000	–	–	–	–	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. Yuan Guozhen	250,000	–	–	–	–	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. CT Lai	250,000	–	–	–	–	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Subtotal	750,000	–	–	–	–	750,000			
Other employees working under continuous employment contracts									
In aggregate	2,250,000	–	–	–	–	2,250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	3,000,000	–	–	–	–	3,000,000			

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

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

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

The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.02%, 8.02% and 8.02% of the issued share capital of the Company as at 31 December 2018, the annual result announcement dated 25 March 2019 and as at the date of this annual report, respectively.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(1) Long positions in shares of the Company

	Number of Shares/Underlying Shares Held						
Name of Director	Personal interest	Number of underlying shares held under equity derivatives[2]	Spouse interests	Founder of a discretionary trust[1]	Beneficiary of trust	Total interests[4]	Total interests as % of the issued share capital
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	–	1,337,491,837	54.5%
Mr. KM Lai	–	–	10,000,000	1,335,615,837	–	1,345,615,837	54.8%
Mr. Yuan Guozhen	–	250,000	357,000	–	–	607,000	0.02%
Mr. CT Lai	–	250,000[3]	1,626,000	–	1,335,615,837	1,337,491,837	54.5%
Professor Sha Zhenquan	100,000	–	–	–	–	100,000	0.0%
Mr. Chung Kwok Nam	80,000	–	–	–	–	80,000	0.0%

Notes:

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

2. Details of share options held by the directors are shown in page 53.

3. These represent the 250,000 share options held by Mr. CT Lai.

4. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

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

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

Note:

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

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

So far as is known to the Directors or chief executives of the Company, as at 31 December 2018, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,335,615,837[(1)]	—	54.4%
VISTA Co	Interest of controlled corporation	1,335,615,837[(2)]	—	54.4%
Century Rise	Interest of controlled corporation	1,335,615,837[(3)]	—	54.4%
Best Approach	Beneficial owner	1,335,615,837	—	54.4%
AEP Green Power, Limited	Beneficial owner	138,305,678	—	5.6%
SIHL	Interest in controlled corporation	430,253,000[(4)]	—	17.5%
Shanghai Industrial Investment (Holdings) Company Limited	Interest in controlled corporation	430,253,000[(4)]	—	17.5%
True Victor	Beneficial owner	430,253,000[(4)]	—	17.5%

Notes:

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

2. VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise and Best Approach for the purposes of the SFO.

3. Century Rise holds 45% of the issued share capital of Best Approach. Therefore, Century Rise is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.

4. True Victor is an indirect wholly-owned subsidiary of SIHL.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the common terms agreement and certain loan agreements with International Finance Corporation, DBS Bank Ltd., Hong Kong Branch, State Bank of India, Hong Kong Branch, The Bank of East Asia, Limited 東亞銀行有限公司, KDB Asia Limited, Woori Bank, Singapore Branch and Woori Global Markets Asia Limited (collectively, the "Senior Lenders") on 31 May 2018, unless otherwise agreed in writing by the Senior Lenders, the Company shall, within 10 days following the occurrence that Ms. Loretta Lee, Mr. KM Lai and Mr. CT Lai (collectively, "the Controlling Shareholders"), as a group, at any time and for any reason cease to own, directly or indirectly, at least 35% of both the economic and voting interests in the Company's share capital (determined on a fully diluted basis); or if the Controlling Shareholders, as a group, cease to own the largest share of the economic and voting interests in the Company's share capital (determined on a fully diluted basis) as compared to any other shareholder of the Company or any other group of shareholders of the Company acting in concert, prepay all outstanding principal amount of the loans and pay all interest accrued thereon and any other amounts then due and payable to the Senior Lenders under the Agreements and the other ancillary documents.

INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 31 December 2018, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

EMPLOYEES AND REMUNERATION POLICIES OF THE GROUP

As at 31 December 2018, the Group had a total of 2,559 employees. The related employees' costs for the year ended 31 December 2018 amounted to HK$228.4 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

Details of Directors' remuneration and the five highest paid individuals of the Group during the year 2018 are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

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

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed under the headings "Continuing Connected Transaction", no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

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

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

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details disclosed under the headings "Share Option Scheme" and "Directors' interests in shares, underlying shares and short positions" in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits (2017: Nil).

EQUITY-LINKED AGREEMENTS

On 20 January 2016, the Company entered 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$465,012,000. IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into conversion shares at a conversion price of HK$3.91 per share (subject to the adjustment as set out in the convertible loan agreement). For reasons for entering into the agreement, please refer to the announcement of the Company dated 20 January 2016. As at 31 December 2016, the convertible loan has been drawn. On 12 April 2017, the convertible loan has been fully converted to 118,928,900 Shares at conversion price of HK$3.84 per Share. Please refer to the announcement of the Company dated 12 April 2017 for further details.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the largest and five largest customers of the Group accounted for less than 24% and 72% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 22% and 52% of purchases of the Group for the year, respectively.

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

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

Employees

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

Customers

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

Suppliers

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

Local regulatory authorities

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

MANAGEMENT CONTRACTS

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, the Company repurchased 400,000 shares of the Company on the Stock Exchange in October 2018 for an aggregate consideration of HK$1,610,000 (the highest price per share was HK$3.99 and the lowest price per share was HK$3.98). All the shares bought back were subsequently cancelled on 21 December 2018. The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018 (2017: Nil).

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 29 to 41 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

Discussions of environmental policies of the Group and its performance for the year ended 31 December 2018 are set out in the Environmental, Social and Governance Report, which will be issued separately within the period as required by the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital being held by the public for the year ended 31 December 2018 and as at the date of this report.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2018, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 33 to the consolidated financial statements of this annual report.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2019 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2019 AGM.

EVENTS AFTER THE BALANCE SHEET DATE

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

On behalf of the Board

Lee Wing Yee Loretta
Chairlady

Hong Kong, 25 March 2019

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 142, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction revenue arising from service concession arrangements Refer to note 4 (Critical accounting estimates and judgements) and note 5 (Revenue and segment information) to the consolidated financial statements. The Group entered into several service concession arrangements with local government authorities in respect of its waste-to-energy projects. These arrangements are accounted for with reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements. The Group acts as a service provider which constructs infrastructure used to provide waste-to-energy services and operates and maintains those infrastructure for a specified period of time under the respective service concession arrangements. Revenue from the construction services is recognised over time with reference to the construction costs incurred as a percentage of the total estimated construction costs for each contract plus an expected mark-up margin. The Group recognised construction revenue of HK$1,696,409,000 from these arrangements for the year ended 31 December 2018, representing 51% of the Group's total revenue. We focused on this area because significant management judgement is involved to determine the estimated total construction costs and mark-up margin of the Group's projects.	In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We performed an evaluation of the judgments made by management, whereby we discussed the status of projects with management and examined project documentation including status reports prepared internally by project managers or externally by contractors as applicable. We compared the estimated construction costs for each project under construction phase with reference to the actual costs incurred for completed projects of comparable energy output and combustion capacity. We also circulated independent confirmations to major contractors to confirm the actual costs incurred on a sample basis. The Group has engaged an independent valuer to assist management to estimate the mark-up margin, with reference to gross margin of listed companies which are engaged in similar business of the Group. We assessed the competency, capability and objectivity of the independent valuer by considering its qualifications, relevant experience and relationship with the Group. We also discussed with the independent valuer and management to understand the basis of selection and evaluated the reasonableness of the mark-up margin by cross-checking to publicly available financial information of those comparable companies. Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of construction revenue arising from service concession arrangement are supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Tak Wai, Daniel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**3,325,894**	2,397,531
Cost of sales	6	**(2,228,802)**	(1,578,867)
Gross profit		**1,097,092**	818,664
General and administrative expenses	6	**(228,299)**	(164,701)
Other income	7	**130,290**	106,596
Other losses, net	8	**(8,830)**	(11,406)
Operating profit		**990,253**	749,153
Interest income	11	**6,146**	6,438
Interest expense	11	**(176,136)**	(112,010)
Interest expense, net		**(169,990)**	(105,572)
Share of net profits of associates and a joint venture	15	**32,004**	—
Profit before income tax		**852,267**	643,581
Income tax expense	12	**(97,912)**	(79,334)
Profit for the year		**754,355**	564,247
Attributable to:			
Equity holders of the Company		**754,364**	564,247
Non-controlling interests		**(9)**	—
		754,355	564,247
Earnings per share			
— basic (expressed in HK cents per share)	13	**30.7**	24.0
— diluted (expressed in HK cents per share)	13	**30.7**	24.0

The notes on pages 74 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**754,355**	564,247
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(217,975)**	240,508
Other comprehensive (loss)/income for the year, net of tax	**(217,975)**	240,508
Total comprehensive income for the year	**536,380**	804,755
Attributable to:		
Equity holders of the Company	**536,389**	804,755
Non-controlling interests	**(9)**	—
Total comprehensive income for the year	**536,380**	804,755

The notes on pages 74 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	136,324	146,592
Property, plant and equipment	17	1,391,567	1,519,135
Intangible assets	18	4,962,118	3,883,448
Investments in associates and a joint venture	15	437,328	—
Long-term deposits and prepayments	22	630,684	710,756
Receivables under service concession arrangements	19	1,339,602	1,027,432
		8,897,623	7,287,363
Current assets			
Inventories	21	5,725	2,314
Receivables under service concession arrangements	19	101,050	64,885
Trade and bills receivables	22	260,323	260,191
Other receivables, deposits and prepayments	22	329,151	281,595
Restricted deposits	23	6,949	14,786
Cash and cash equivalents	24	1,317,431	1,347,803
		2,020,629	1,971,574
Total assets		10,918,252	9,258,937
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	24,549	24,553
Share premium	25	2,695,700	2,697,306
Other reserves	25	494,227	694,339
Retained earnings		2,078,971	1,474,108
		5,293,447	4,890,306
Non-controlling interests		1,110	—
Total equity		5,294,557	4,890,306

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	27	172,238	106,401
Deferred government grants	28	99,761	109,663
Other non-current liabilities		4,350	3,697
Deferred income tax liabilities	20	392,074	316,127
Bank borrowings	26	3,616,936	2,797,061
		4,285,359	3,332,949
Current liabilities			
Trade and other payables	27	796,012	640,971
Deferred government grants	28	4,822	5,520
Current income tax liabilities		25,635	26,393
Bank borrowings	26	511,867	362,798
		1,338,336	1,035,682
Total liabilities		5,623,695	4,368,631
Total equity and liabilities		10,918,252	9,258,937
Net current assets		682,293	935,892
Total assets less current liabilities		9,579,916	8,223,255

The consolidated financial statements on pages 66 to 142 were approved by the Board of Directors on 25 March 2019 and were signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

The notes on pages 74 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity holders of the Company								
	Note	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25)	Capital reserve HK$'000 (Note 25)	Statutory reserve HK$'000 (Note 25)	Other reserve HK$'000 (Note 25)	Share option reserve HK$'000 (Note 25)	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2017		20,342	1,195,835	704,944	98,006	(68,519)	5,834	(262,733)	1,029,334	2,723,043
Comprehensive income										
Profit for the year		—	—	—	—	—	—	—	564,247	564,247
Other comprehensive income										
Currency translation differences		—	—	—	—	—	—	240,508	—	240,508
Total comprehensive income for the year		—	—	—	—	—	—	240,508	564,247	804,755
Appropriation of statutory reserve		—	—	—	48,269	—	—	—	(48,269)	—
Dividend approved in respect of the previous year	29	—	—	—	—	—	—	—	(39,285)	(39,285)
Interim dividend declared and paid	29	—	—	—	—	—	—	—	(31,919)	(31,919)
Issuance of shares through placement	25	3,000	1,015,013	—	—	—	—	—	—	1,018,013
Conversion of convertible loan		1,211	486,458	—	—	(71,970)	—	—	—	415,699
Balance at 31 December 2017		24,553	2,697,306	704,944	146,275	(140,489)	5,834	(22,225)	1,474,108	4,890,306
Representing:										
2017 proposed final dividend	29								49,107	
Other retained earnings									1,425,001	
									1,474,108	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity holders of the Company										
	Note	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25)	Capital reserve HK$'000 (Note 25)	Statutory reserve HK$'000 (Note 25)	Other reserve HK$'000 (Note 25)	Share option reserve HK$'000 (Note 25)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2018		24,553	2,697,306	704,944	146,275	(140,489)	5,834	(22,225)	1,474,108	4,890,306	—	4,890,306
Comprehensive income												
Profit/(loss) for the year		—	—	—	—	—	—	—	754,364	754,364	(9)	754,355
Other comprehensive loss												
Currency translation differences		—	—	—	—	—	—	(217,975)	—	(217,975)	—	(217,975)
Total comprehensive income for the year		—	—	—	—	—	—	(217,975)	754,364	536,389	(9)	536,380
Appropriation of statutory reserve		—	—	—	53,743	—	—	—	(53,743)	—	—	—
Dividend approved in respect of the previous year	29	—	—	—	—	—	—	—	(49,107)	(49,107)	—	(49,107)
Interim dividend declared and paid	29	—	—	—	—	—	—	—	(46,651)	(46,651)	—	(46,651)
Buy-back of ordinary shares	25	(4)	(1,606)	—	—	—	—	—	—	(1,610)	—	(1,610)
Acquisition of non-controlling interest	35(a)	—	—	—	—	(35,880)	—	—	—	(35,880)	—	(35,880)
Capital injection from non-controlling interests	35(b)	—	—	—	—	—	—	—	—	—	1,119	1,119
Balance at 31 December 2018		24,549	2,695,700	704,944	200,018	(176,369)	5,834	(240,200)	2,078,971	5,293,447	1,110	5,294,557
Representing:												
2018 proposed final dividend	29								66,283			
Other retained earnings									2,012,688			
									2,078,971			

The notes on pages 74 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before income tax		**852,267**	643,581
Adjustment for:			
Construction revenue arising from build-operate-transfer ("BOT") arrangement		**(1,696,409)**	(1,265,853)
Finance income arising from BOT arrangement		**(65,794)**	(52,507)
Share of net profits of associates and a joint venture		**(32,004)**	—
Depreciation of property, plant and equipment		**120,167**	106,502
Amortisation of land use rights		**3,665**	3,566
Amortisation of intangible assets		**159,853**	78,123
Interest income		**(6,146)**	(6,438)
Interest expense		**176,136**	112,010
Exchange differences		**5,515**	5,251
Loss on disposals of property, plant and equipment		**3,315**	6,155
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)			
— Non-current prepayments		**183,975**	(131,508)
— Inventories		**(2,545)**	(3,933)
— Trade and bills receivables, other receivables and receivables under service concession arrangements		**42,880**	(187,084)
— Trade and other payables		**138,168**	46,231
Net cash used in operations		**(116,957)**	(645,904)
Income tax paid		**(36,866)**	(22,324)
Net cash used in operating activities		**(153,823)**	(668,228)
Cash flows from investing activities			
Deposit paid for investments		**(167,789)**	(268,025)
Payments for purchase of property, plant and equipment		**(66,744)**	(291,397)
Proceeds from disposals of property, plant and equipment	30(b)	**1,024**	1,699
Decrease/(increase) in restricted deposits		**7,436**	(4,567)
Acquisition of subsidiaries		**(150,597)**	(28,261)
Acquisition of a joint venture		**(17,815)**	—
Acquisition of associates		**(295,935)**	—
Capital contribution to a joint venture		**(15,786)**	—
Interest received		**6,146**	6,438
Net cash used in investing activities		**(700,060)**	(584,113)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Proceeds from borrowings	30(a)	**1,658,302**	1,454,542
Repayments of borrowings	30(a)	**(527,385)**	(380,174)
Decrease in restricted deposits		**—**	34,599
Interest paid		**(171,601)**	(129,711)
Acquisition of non-controlling interest		**(35,880)**	—
Issuance of ordinary shares		**—**	1,018,013
Dividend paid to equity holders of the Company		**(95,758)**	(71,204)
Payment for share bought back		**(1,610)**	—
Prepayments for financing related services		**(19,865)**	—
Repayment of ex-shareholders' loans of a subsidiary		**52,830**	—
Capital contribution from non-controlling interests		**1,119**	—
Net cash generated from financing activities		**860,152**	1,926,065
Net increase in cash and cash equivalents		**6,269**	673,724
Cash and cash equivalents at beginning of year		**1,347,803**	618,953
Currency translation differences		**(36,641)**	55,126
Cash and cash equivalents at end of year		**1,317,431**	1,347,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for current reporting period. Of these, the following are relevant to the Group's consolidated financial statements:

- HKFRS 9 "Financial Instruments" ("HKFRS 9"), and
- HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

The adoption of HKFRS 15 did not have any material impact on the Group's consolidated financial statements. To reflect the terminology of HKFRS 15, the Group reclassified "Gross amounts due from customers for contract work" to "Receivables under service concession arrangements" which represents contract assets under HKFRS 15.

HKFRS 9 replaces the provisions of Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Management" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impact of adoption

(i) Classification and measurement of financial instruments

The financial assets held by the Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9.

There is 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 ("FVPL") and the Group does not have any such liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

Impact of adoption (Continued)

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to HKFRS 9's new expected credit losses ("ECLs") model:

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

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

(a) Trade and bills receivables and receivables under service concession arrangements

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade and bills receivables and receivables under service concession arrangements. To measure the expected credit losses of trade and bills receivables and contract assets, they have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled contract work and have the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the loss rates for the contract assets. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Management has closely monitored the credit qualities and the collectability of the trade and bills receivables and receivables under service concession arrangements. Trade and bills receivables and receivables under service concession arrangements in dispute are assessed individually for impairment allowance and it is determined whether specific provisions are required. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade and bills receivables and receivables under service concession arrangements as at 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

(b) Other financial asset carried at amortised cost

For other financial assets carried at amortised cost, including other receivables and deposits in the consolidated balance sheet, the expected credit loss is based on the 12-months expected credit loss. It is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the ECL is immaterial.

(b) Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases" ("HKFRS 16")

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, 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$21,192,000 (Note 31(b)). 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 Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

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

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

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

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint venture and associates

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

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

2.7 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments made for the rights to use the land.

Amortisation of land use rights is expensed in the consolidated statement of profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated statement of profit or loss.

2.8 Intangible assets

(a) Goodwill

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(a) *Goodwill* (Continued)

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

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

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

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

(c) *Other intangible assets*

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

Their estimated useful lives are as follows:

Contract backlog	2 years
Brand name	15 years

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

2.9 Service concession arrangements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Service concession arrangements (Continued)

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

(a) Consideration given by the Grantor

(i) Service concession arrangements under intangible asset model

An intangible asset (concession right) is recognised to the extent that the Group receives a right to charge users of public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses of service. The intangible asset (concession right) is accounted for in accordance with the policy set out for "Intangible assets" in Note 2.8, which is amortised on the straight-line basis over the Service Concession Period.

Revenue relating to operating service are accounted for in accordance with the policy for Note 2.22 "Revenue recognition". Costs for operating services are expensed in the period in which they are incurred.

(ii) Service concession arrangements under hybrid model

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

(b) Construction and upgrade services

The fair value of the construction and upgrade service under the services concession arrangement is calculated as the estimated total construction cost plus an expected mark-up margin. Construction revenue from concession arrangements are accounted for in accordance with the policy for Note 2.22 "Revenue Recognition".

2.10 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets (Continued)

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

External sources of information

— there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

— significant changes with an adverse effect have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in the market to which an asset is dedicated.

— market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

— evidence is available of obsolescence or physical damage of an asset.

— significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

— evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either though other comprehensive income or through profit or loss), and

— those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the ECLs associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets as loans and receivables. The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(i) Reclassification

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(ii) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(iii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in consolidated statement of profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated statement of profit or loss.

2.12 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial guarantee contracts

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

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

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

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

2.14 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Receivables

(a) Trade and other receivables

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

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

(b) Receivables under service concession arrangements

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

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

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

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

2.19 Borrowings

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings (Continued)

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

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

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

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

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

(i) Revenue from power sales

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

(ii) Rendering of waste treatment services

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

(iii) Construction revenue from service concession arrangements

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

(iv) Finance income from service concession arrangements

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

(v) Management income

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

(vi) Contract assets and contract liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(vii) Interest income

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

(viii) Government grants

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

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

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

2.23 Employee benefits

(i) Pension obligations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(ii) Employee leave entitlement

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

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

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

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

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Borrowing costs

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

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

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

3.1 Market risk

(i) Foreign exchange risk

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk

(i) Risk Management

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

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

The Group has concentration of credit risk. As at 31 December 2018, 39% (2017: 28%) of the total trade and bills receivables and receivables under services concession arrangements were due from the five largest customers.

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

(ii) Impairment of financial assets

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

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

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

Trade and bills receivables and receivables under service concession arrangements

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

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) ***Credit risk*** *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade and bills receivables and receivables under service concession arrangements (Continued)

The expected loss rates are based on the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the PRC government default rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor as majority of the Group's customers are government authorities. As at 31 December 2018, the ECL in respect of these assessed trade and bills receivable and receivables under service concession arrangements do not have a material impact to the Group's consolidated financial statements.

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

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

Previous accounting policy for impairment of trade and bills receivables

In the prior year, the impairment of trade and bills receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The remaining receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

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

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK$153,823,000 (2017: HK$668,228,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK$1,271,943,000 (2017: HK$1,314,437,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK$1,118,120,000 (2017: HK$646,209,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

Analysed below is the Group's contractual maturities for its non-derivative financial liabilities as at 31 December 2018 and 2017. The amounts disclosed in the table are the contractual undiscounted cashflows.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iii) Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 December 2018					
Bank borrowings (including interest)	**690,329**	**784,469**	**2,269,864**	**1,116,413**	**4,861,075**
Trade and other payables	**681,085**	**172,238**	**—**	**—**	**853,323**
	1,371,414	**956,707**	**2,269,864**	**1,116,413**	**5,714,398**

Note: The Group provided certain corporate guarantees to an associate, details are disclosed in Note 32.

	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 December 2017					
Bank borrowings (including interest)	510,310	647,363	1,464,612	1,130,895	3,753,180
Trade and other payables	584,167	106,401	—	—	690,568
	1,094,477	753,764	1,464,612	1,130,895	4,443,748

(iv) Interest rate risk

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

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

For the year ended 31 December 2018, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and retained earnings would have been approximately HK$38,037,000 (2017: HK$30,070,000) lower/higher as a result of higher/lower interest expense on bank borrowings. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to cash flow interest rate risk for bank borrowings in existence at the balance sheet date.

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Capital risk management

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

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

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

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The net debt to total capital ratios at 31 December 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Bank borrowings (Note 26)	**4,128,803**	3,159,859
Less: cash and cash equivalents (Note 24)	**(1,317,431)**	(1,347,803)
Net debt	**2,811,372**	1,812,056
Total equity	**5,294,557**	4,890,306
Total capital	**8,105,929**	6,702,362
Net debt to total capital ratio	**35%**	27%

As at 31 December 2018, bank borrowings of HK$2,054,608,000 (2017: HK$1,202,712,000) are subject to the fulfilment of covenants relating to certain financial ratios. If the Group were to breach the covenants, bank borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Fair value

The management considered the carrying amounts of financial assets and liabilities approximated their fair values as at 31 December 2018 and 2017. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

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

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

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

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

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

As at 31 December 2018 and 2017, the Group does not have any financial assets and liabilities which are measured at fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Service concession arrangements

The Group entered into BOT arrangements in respect of its WTE projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.22, revenue relating to construction services under such arrangement is recognised over time, by reference to the construction cost incurred as a percentage of the total estimated costs for each contract. Judgement is required in estimating the total construction cost and mark-up margin of the projects.

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

5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2018, the Executive Directors consider that the Group's operations are operated and managed as a single segment — WTE project construction and operation (2017: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2018 (2017: same).

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

	2018 **HK$'000**	2017 HK$'000
Revenue from power sales	**1,129,326**	772,609
Waste treatment fee	**434,365**	306,562
Construction revenue arising from BOT arrangement	**1,696,409**	1,265,853
Finance income arising from BOT arrangement	**65,794**	52,507
	3,325,894	2,397,531

5 REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2018, the Group had transactions with three (2017: four) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK$787,515,000, HK$772,650,000 and HK$493,030,000 were derived from the largest, second largest and third largest customer for the year ended 31 December 2018, respectively, while revenue of approximately HK$584,024,000, HK$510,810,000, HK$396,203,000 and HK$285,509,000 were derived from the largest, second largest, third largest and fourth largest customer for the year ended 31 December 2017, respectively.

6 EXPENSES BY NATURE

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

	2018 **HK$'000**	2017 HK$'000
Maintenance cost	**103,961**	90,489
Environmental protection expenses	**229,071**	121,724
Auditors' remuneration		
— Audit services	**3,536**	3,214
— Non-audit services	**192**	959
Employee benefit expenses (Note 9)	**228,395**	153,787
Depreciation and amortisation		
— Land use rights (Note 16)	**3,665**	3,566
— Property, plant and equipment (Note 17)	**120,167**	106,502
— Intangible assets (Note 18)	**159,853**	78,123
Operating lease rentals	**10,999**	9,240
Construction cost recognised for construction of BOT projects (included in cost of sales)	**1,413,675**	1,054,877

7 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Value-added tax refund (Note (i))	**101,182**	66,976
Management income (Note (ii))	**6,990**	27,170
Government grants (Note (iii))	**5,061**	1,175
Others	**17,057**	11,275
	130,290	106,596

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

(ii) Management income for the year ended 31 December 2018 is derived from the provision of management services to a company whose directors consist of key management personnel from the Group (2017: same).

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

8 OTHER LOSSES, NET

	2018 HK$'000	2017 HK$'000
Loss on disposals of property, plant and equipment (Note 30(b))	**3,315**	6,155
Exchange loss, net	**5,515**	5,251
	8,830	11,406

9 EMPLOYEE BENEFIT EXPENSES

	2018 HK$'000	2017 HK$'000
Wages and salaries	**188,446**	129,095
Pension costs — defined contribution plans	**11,606**	7,701
Welfare and other expenses	**28,343**	16,991
Total	**228,395**	153,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors' emoluments

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2018					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	3,165	636	18	3,819
Mr. Lai Kin Man	—	612	—	18	630
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,585	881	49	2,515
Mr. Lai Chun Tung	—	4,323	1,690	18	6,031
Non-executive directors:					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	1,140	9,685	3,207	103	14,135
Year ended 31 December 2017					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	1,950	750	18	2,718
Mr. Lai Kin Man	—	612	—	18	630
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,535	577	45	2,157
Mr. Lai Chun Tung	—	3,122	1,493	18	4,633
Non-executive directors:					
Mr. Feng Jun (note (i))	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr Chung Kwok Nam (note (i))	135	—	—	—	135
	1,095	7,219	2,820	99	11,233

Note (i): Mr. Feng Jun and Mr. Chung Kwok Nam were appointed as the Company's directors on 31 March 2017.

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: same).

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2018 (2017: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2018 (2017: Nil).

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

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

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

During the year ended 31 December 2018, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2017: Nil).

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

Save for the related party transaction disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted as at 31 December 2018 or at any time during the year ended 31 December 2018 (2017: Nil).

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2018 (2017: 3), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2018 (2017: 2) are as follows:

	2018 HK$'000	2017 HK$'000
Wages and salaries	**5,458**	5,466
Pension costs — defined contribution plans	**18**	51
Welfare and other expenses	**140**	25
Total	**5,616**	5,542

The emoluments fell within the following bands:

	2018	2017
HK$2,000,000 — HK$2,999,999	**1**	1
HK$3,000,000 — HK$3,999,999	**1**	1

During the year ended 31 December 2018, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2017: same).

11 INTEREST INCOME AND EXPENSE

	2018 HK$'000	2017 HK$'000
Interest expense on bank borrowings	**(181,250)**	(126,662)
Imputed interest expenses on convertible loan	**—**	(10,813)
	(181,250)	(137,475)
Less: amount capitalised on qualifying assets	**5,114**	25,465
	(176,136)	(112,010)
Interest income from bank deposits	**6,146**	6,438
Interest expense, net	**(169,990)**	(105,572)

Interest expense on bank borrowings were capitalised at the weighted average rate of its general borrowings of approximately 4% (2017: 4%).

12 INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current income tax		
PRC enterprise income tax	**32,205**	33,972
Hong Kong profits tax	**—**	—
Total current income tax	**32,205**	33,972
Deferred income tax (Note 20)	**65,707**	45,362
Income tax expense	**97,912**	79,334

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 2018 and 2017. No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits for the year ended 31 December 2018 (2017: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12 INCOME TAX EXPENSE (Continued)

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the year ended 31 December 2018 and 2017 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax ("EIT") incentive that the project would be fully exempted from the PRC EIT for three years starting from the tax year in which the project recorded its first operating revenue, followed by a 50% tax reduction for the ensuing three years.

	Applicable tax rate	
Subsidiaries	**2018**	2017
Dongguan China Scivest Environmental Power Company Limited ("China Scivest")		
— phase 1 of its project	**12.5%**	12.5%
— phase 2 of its project	**0%**	25%
Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech")		
— phase 1 of its project	**12.5%**	0%
— phase 2 of its project	**0%**	0%
Zhanjiang Canvest Environmental Power Company Limited ("Zhanjiang Canvest")	**0%**	0%
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda")		
— phase 1 of its project	**12.5%**	0%
— phase 2 of its project	**0%**	0%
Laibin Canvest Environmental Power Company Limited ("Laibin Canvest")	**0%**	0%
Beiliu Canvest Environmental Power Company Limited ("Beiliu Canvest")	**0%**	25%
Lufeng Canvest Environmental Power Company Limited ("Lufeng Canvest")	**0%**	25%

12 INCOME TAX EXPENSE (Continued)

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

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**852,267**	643,581
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**218,764**	166,193
Tax effect of:		
Income not taxable for tax purpose	**(7,849)**	(673)
Expenses not deductible for tax purpose	**18,917**	17,397
Preferential tax concession	**(131,920)**	(103,583)
Income tax expense	**97,912**	79,334

The weighted average applicable tax rate was 11.5% for the year ended 31 December 2018 (2017: 12.3%).

13 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company and weighted average number of ordinary shares in issue during the period.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**754,364**	564,247
Weighted average number of ordinary shares in issue (thousand shares)	**2,455,236**	2,350,806
Basic earnings per share (HK cents)	**30.7**	24.0

13 EARNINGS PER SHARE (Continued)

(b) Diluted

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

The Company has one (2017: two categories) dilutive potential ordinary share: share options (2017: share options and convertible loan). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible loan has assumed to have been converted into ordinary shares, and the profit for the period has been adjusted to eliminate the interest expense of the convertible loan.

Diluted earnings per share for the year ended 31 December 2018 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2017 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 on the basic earnings per share.

14 SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2018 are set out below:

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Directly owned:				
Yi Feng Development Limited 億豐發展有限公司	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Indirectly owned:				
Anabell Hong Kong Limited 安貝爾香港有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Beiliu Canvest Environmental Power Company Limited 北流粵豐環保電力有限公司*	The PRC, limited liability company	RMB176,750,000/ RMB123,360,000 (note (a))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Canvest Environmental (China) Company Limited 粵豐環保(中國)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental (Overseas) Company Limited 粵豐環保(海外)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental International Limited 粵豐環保國際有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of human resources and administrative services/ Hong Kong
Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as "Dongguan Kewei Environmental Power Company Limited") 粵豐科維環保投資(廣東)有限公司* (formerly known as "東莞科維環保投資有限公司*")	The PRC, limited liability company	RMB1,060,000,000	100%	Provision of MSW handling services and operation and management of WTE plants and investment holding/ the PRC
Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited") 粵豐粵展環保投資 (廣東) 有限公司* (formerly known as "粵展環保投資(廣東) 有限公司*")	The PRC, limited liability company	RMB250,000,000/ RMB53,200,000	100%	Investment holding/the PRC
Canvest Yuezhan Environmental Management (Guangdong) Company Limited ("Yuezhan Environmental Management") 粵豐粵展環境管理(廣東)有限公司*	The PRC, limited liability company	RMB10,000,000/ RMB1,500,000 (note (b))	100%	Provision of transportation services/the PRC
Canvest Yuezhan Environmental Technology (Guangdong) Company Limited ("Yuezhan Environmental Technology") 粵豐粵展環保科技(廣東)有限公司*	The PRC, limited liability company	RMB10,000,000/ RMB2,000,000 (note (g))	51%	Investment holding/the PRC
Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited ("Yuezhan Intelligent Environmental") 粵豐粵展智慧環衛服務(廣東)有限公司*	The PRC, limited liability company	RMB100,000,000/ RMB8,200,000 (note (c))	100%	Investment holding/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2018 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Celestial Jade Limited 天翠有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
China Green Power Holdings Limited 中國綠色能源控股有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司*	The PRC, limited liability company	RMB330,000,000/ RMB219,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Dongguan City Yuejia Power Equipment Company Limited 東莞市粵佳電力設備有限公司*	The PRC, limited liability company	RMB71,500,000	100%	Investment holding/the PRC
Dongguan Eco-Tech Environmental Power Company Limited 東莞市科偉環保電力有限公司*	The PRC, limited liability company	RMB400,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	101 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Fine Way Investments Limited 佳威投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Jiangxi Xinfeng Kunyue Environmental Power Company Limited 江西信豐坤躍環保電力有限公司*	The PRC, limited liability company	RMB108,980,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Laibin Canvest Environmental Power Company Limited (formerly known as "Laibin Zhongke Environmental Power Company Limited") 來賓粵豐環保電力有限公司* (formerly known as "來賓中科環保電力有限公司*")	The PRC, limited liability company	RMB261,500,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Lufeng Canvest Environmental Power Company Limited 陸豐粵豐環保電力有限公司*	The PRC, limited liability company	RMB188,160,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2018 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Maoming Canvest Environmental Power Company Limited ("Maoming Canvest") 茂名粵豐環保電力有限公司*	The PRC, limited liability company	RMB352,970,000/ RMB150,267,360	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited 黔西南州興義市鴻大環保電力有限公司*	The PRC, limited liability company	RMB196,600,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司*	The PRC, limited liability company	RMB53,000,000	100%	Provision of MSW handling service and operation and management of WTE plant/the PRC
Sichuan Jiajieyuan Environmental Technology Company Limited ("Sichuan Jiajieyuan") 四川佳潔園環保科技有限公司*	The PRC, limited liability company	RMB32,000,000/ RMB6,000,000	100%	Provision of cleaning and waste management service/the PRC
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Xinyi Canvest Environmental Power Company Limited ("Xinyi Canvest") 信宜粵豐環保電力有限公司*	The PRC, limited liability company	RMB134,010,000/ RMB100,669,000 (note (d))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xuwen Canvest Environmental Power Company Limited ("Xuwen Canvest") 徐聞粵豐環保電力有限公司*	The PRC, limited liability company	RMB117,380,000/ RMB15,000,000 (note (e))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Year Charm Limited 偉年有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Zaozhuang Canvest Environmental Company Limited ("Zaozhuang Canvest") 棗莊粵豐環保有限公司*	The PRC, limited liability company	RMB50,000,000/ RMB10,011,368 (note (f))	100%	Provision of MSW handling service and operation and management of landfill and investment holding/the PRC
Zhanjiang Canvest Environmental Power Company Limited 湛江市粵豐環保電力有限公司*	The PRC, limited liability company	RMB194,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

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

Note (a): The paid-up capital of Beiliu Canvest was increased to RMB176,750,000 on 29 January 2019.

Note (b): The paid-up capital of Yuezhan Environmental Management was increased to RMB10,000,000 on 21 January 2019.

Note (c): The paid-up capital of Yuezhan Intelligent Environmental was increased to RMB32,200,000 on 21 January 2019.

Note (d): The paid-up capital of Xinyi Canvest was increased to RMB124,009,000 on 29 January 2019.

Note (e): The paid-up capital of Xuwen Canvest was increased to RMB20,000,000 on 12 February 2019.

Note (f): The paid-up capital of Zaozhuang Canvest was increased to RMB20,289,608 on 8 March 2019.

Note (g): As at 31 December 2018, the non-controlling interest had injected RMB980,000 to Yuezhan Environmental Technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates and a joint venture

Set out below are the associates and a joint venture of the group as at 31 December 2018 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation of registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest 2018 %	% of ownership interest 2017 %	Nature of relationship	Measurement method	Carrying amount 2018 HK$'000	Carrying amount 2017 HK$'000
Johnson Cleaning Services Company Limited ("Johnson") 莊臣有限公司	Hong Kong	41%	—	Associate (a)	Equity method	192,260	—
Dongguan Xindongyue Environmental Company Limited ("Dongguan Xindongyue") 東莞市新東粵環保實業有限公司*	The PRC	35%	—	Associate (b)	Equity method	130,695	—
Jiangyang Canvest Environmental Power Company Limited ("Jiangyang Canvest") 簡陽粵豐環保電力有限公司*	The PRC	50%	—	Joint venture (c)	Equity method	114,373	—
Total equity accounted investments						437,328	—

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

(a) Johnson is principally engaged in the provision of environmental hygiene services for government, commercial, and industrial markets in Hong Kong.

(b) Dongguan Xindongyue is principally engaged in the construction of environmental improvement project and treatment of hazardous waste. Currently, it owns the landfill for fly ash in Dongguan City and provides fly ash landfill service to the Group.

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

All of the associates and joint venture are private entities and no quoted price are available.

(i) Commitments in respect of a joint venture

	2018 HK$'000	2017 HK$'000
Commitments — joint venture		
Capital contribution to Jiangyang Canvest	74,185	—

Note: On 29 January 2019, capital contribution of RMB15,000,000 (equivalent to HK$17,336,000) has been made to Jiangyang Canvest.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(ii) Summarised financial information for associates

	Johnson		Dongguan Xindongyue	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Summarised statement of profit and loss				
Revenue	**1,053,740**	—	**156,001**	—
Profit and total comprehensive income for the period	**15,863**	—	**72,884**	—
Summarised balance sheet				
Current assets	**492,770**	—	**188,205**	—
Non-current assets	**226,847**	—	**372,985**	—
Current liabilities	**(388,683)**	—	**(98,858)**	—
Non-current liabilities	**(22,943)**	—	**(89,120)**	—
Net assets	**307,991**	—	**373,212**	—
Group's share (in %)	**41%**	—	**35%**	—
Group's share (in HK$)	**126,277**	—	**130,624**	—
Goodwill	**65,983**	—	**71**	—
Carrying amount	**192,260**	—	**130,695**	—
Reconciliation to carrying amounts:				
Net assets as at 1 January	**—**	—	**—**	—
Acquisition	**185,756**	—	**110,179**	—
Profit for the period	**6,504**	—	**25,509**	—
Currency translation difference	**—**	—	**(4,993)**	—
Net assets as at 31 December	**192,260**	—	**130,695**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(iii) Summarised financial information for a joint venture

	Jiangyang Canvest	
	2018 HK$'000	2017 HK$'000
Summarised statement of profit and loss		
Revenue	—	—
Interest income	—	—
Depreciation and amortisation	—	—
Interest expenses	—	—
Income tax expenses	—	—
Loss and total comprehensive loss for the period	**(19)**	—
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**9,857**	—
Other current assets	**83,953**	—
Total current assets	**93,810**	—
Total non-current assets	**177,620**	—
Current liabilities		
Financial liabilities	**(678)**	—
Total current liabilities	**(678)**	—
Non-current liabilities		
Other current liabilities	**(42,007)**	—
Total non-current liabilities	**(42,007)**	—
Net assets	**228,745**	—
Group's share (in %)	**50%**	—
Group's share (in HK$)	**114,373**	—
Goodwill	—	—
Carrying amount	**114,373**	—
Reconciliation to carrying amounts:		
Net assets as at 1 January	—	—
Acquisition	**97,223**	—
Capital contribution	**15,786**	—
Loss for the period	**(9)**	—
Currency translation difference	**1,373**	—
Net assets as at 31 December	**114,373**	—

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(iii) Summarised financial information for a joint venture (Continued)

On 27 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng which is an investment holding company at the date of acquisition, at a consideration of RMB87,046,000 (equivalent to HK$98,153,000 at transaction date). Hangzhou Langneng holds 50% of the equity interest in Jianyang Canvest, which owns the BOT concession right to operate a WTE plant in Jianyang City, Sichuan Province. This transaction was completed on 30 November 2018.

In addition to the acquisition of the interests in a joint venture amounting to approximately HK$97,223,000 at the transaction date, the Group has also acquired cash and cash equivalents of approximately HK$2,195,000, deposits, prepayments and other receivables of approximately HK$3,351,000, and assumed trade and other payables of approximately HK$4,616,000.

The net cash outflow from acquisition of Jiangyang Canvest is as follows:

	At acquisition date HK$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Cash consideration	98,153
Less: Cash and cash equivalents acquired	(2,195)
Deposits paid in prior years	(78,143)
Net cash outflow — investing activities	17,815

16 LAND USE RIGHTS

	HK$'000
At 1 January 2017	140,441
Amortisation	(3,566)
Currency translation differences	9,717
At 31 December 2017	146,592
At 1 January 2018	**146,592**
Amortisation	**(3,665)**
Currency translation differences	**(6,603)**
At 31 December 2018	**136,324**

16 LAND USE RIGHTS (Continued)

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

	2018 HK$'000	2017 HK$'000
Leases in the PRC	**42,336**	45,529

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

Amortisation expense was charged in "cost of sales" in the consolidated statement of profit or loss.

As at 31 December 2018 and 2017, certain of the Group's borrowings were secured by the prepaid operating lease payments (Note 26).

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	CIP HK$'000	Total HK$'000
Year ended 31 December 2017						
Opening net book amount	351,798	487,724	11,795	9,349	341,045	1,201,711
Additions	17,696	9,673	3,776	6,202	300,607	337,954
Transfer	316,853	335,207	—	—	(652,060)	—
Disposals (Note 30(b))	(5,605)	(459)	(1,771)	(19)	—	(7,854)
Depreciation	(35,025)	(64,363)	(3,284)	(3,830)	—	(106,502)
Currency translation differences	37,648	44,647	496	627	10,408	93,826
Closing net book amount	683,365	812,429	11,012	12,329	—	1,519,135
As at 31 December 2017						
Cost	780,150	1,035,318	23,627	23,857	—	1,862,952
Accumulated depreciation	(96,785)	(222,889)	(12,615)	(11,528)	—	(343,817)
Net book amount	683,365	812,429	11,012	12,329	—	1,519,135

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	CIP HK$'000	Total HK$'000
Year ended 31 December 2018						
Opening net book amount	683,365	812,429	11,012	12,329	—	1,519,135
Additions	13,627	10,878	4,929	8,220	2,734	40,388
Acquisition of subsidiaries (Note 34)	—	3,301	19,718	150	—	23,169
Transfer	2,393	341	—	—	(2,734)	—
Disposals (Note 30(b))	(3,421)	(54)	(755)	(109)	—	(4,339)
Depreciation	(41,276)	(70,935)	(3,243)	(4,713)	—	(120,167)
Currency translation differences	(29,910)	(34,537)	(1,447)	(725)	—	(66,619)
Closing net book amount	624,778	721,423	30,214	15,152	—	1,391,567
As at 31 December 2018						
Cost	750,585	1,007,115	40,242	31,430	—	1,829,372
Accumulated depreciation	(125,807)	(285,692)	(10,028)	(16,278)	—	(437,805)
Net book amount	624,778	721,423	30,214	15,152	—	1,391,567

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

	2018 HK$'000	2017 HK$'000
Cost of sales	112,509	99,607
General and administrative expenses	7,658	6,895
	120,167	106,502

As at 31 December 2018, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK$254,803,000 (2017: HK$293,602,000) (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Concession rights HK$'000	Contract backlog HK$'000	Brand name HK$'000	Total HK$'000
Year ended 31 December 2017					
Opening net book amount	158,986	2,471,455	—	—	2,630,441
Additions from BOT arrangement	—	1,108,362	—	—	1,108,362
Amortisation	—	(78,123)	—	—	(78,123)
Currency translation differences	11,150	211,618	—	—	222,768
Closing net book amount	170,136	3,713,312	—	—	3,883,448
As at 31 December 2017					
Cost	170,136	4,000,293	—	—	4,170,429
Accumulated amortisation	—	(286,981)	—	—	(286,981)
Net book amount	170,136	3,713,312	—	—	3,883,448
Year ended 31 December 2018					
Opening net book amount	**170,136**	**3,713,312**	**—**	**—**	**3,883,448**
Additions from BOT arrangement	**—**	**1,292,770**	**—**	**—**	**1,292,770**
Acquisition of subsidiaries (Note 34)	**47,599**	**98,232**	**11,185**	**17,347**	**174,363**
Amortisation	**—**	**(159,853)**	**—**	**—**	**(159,853)**
Currency translation differences	**(7,822)**	**(220,788)**	**—**	**—**	**(228,610)**
Closing net book amount	**209,913**	**4,723,673**	**11,185**	**17,347**	**4,962,118**
As at 31 December 2018					
Cost	**209,913**	**5,151,586**	**11,185**	**17,347**	**5,390,031**
Accumulated amortisation	**—**	**(427,913)**	**—**	**—**	**(427,913)**
Net book amount	**209,913**	**4,723,673**	**11,185**	**17,347**	**4,962,118**

Goodwill is mainly attributable to the acquisition of Eco-Tech and Sichuan Jiajieyuan in 2011 and 2018 respectively.

18 INTANGIBLE ASSETS (Continued)

The carrying amount of goodwill allocated to the Group's CGUs as follows:

	2018 HK$'000	2017 HK$'000
Eco-tech	**162,314**	170,136
Sichuan Jiajieyuan	**47,599**	—
	209,913	170,136

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on the higher of fair value less costs to sell and value-in-use calculations. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate of 3% (2017: 3%) on waste treatment fee for Eco-Tech and 5.7% (2017: not applicable) on cleaning services fee for Sichuan Jiajieyuan for the purposes of impairment reviews covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. The pre-tax discount rate used is 9.5% for the year ended 31 December 2018 (2017: 9.5%) for Eco-Tech and 18.9% for Sichuan Jiajieyuan. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGUs. Based on the impairment review, no impairment is considered necessary as at 31 December 2018 and 2017. There are no reasonably possible change in the key assumptions which would cause the carrying amount exceeds the recoverable amount for goodwill attributable to the acquisition of Eco-Tech.

Concession rights are mainly attributable to the acquisition of China Scivest, Laibin Canvest, Celestial Jade Limited, Xingyi Hongda and Xiamen Kun Yue and allocation from the BOT arrangement of Zhanjiang Canvest, Laibin Canvest, China Scivest, Xingyi Hongda, Beiliu Canvest, Lufeng Canvest, Maoming Canvest, Xiamen Kun Yue and Xinyi Canvest and amortisation expenses were charged to "cost of sales" in the consolidated statement of profit or loss. The remaining amortisation period of those concession rights ranged from 12 to 30 years.

Contract backlog and brand name were mainly attributable to the acquisition of Sichuan Jiajieyuan on 28 December 2018. The remaining amortisation period of the contract backlog and brand name were approximately 2 years and 15 years respectively.

As at 31 December 2018 and 2017, certain of the Group's borrowings were secured by the BOT arrangement entered by China Scivest, Laibin Canvest, Xingyi Hongda, Beiliu Canvest and Lufeng Canvest with the local governments with aggregate carrying amount of HK$3,377,862,000 (2017: HK$2,643,946,000) (Note 26).

19 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	2018 HK$'000	2017 HK$'000
Contract assets:		
Receivables under service concession arrangements		
— Non-current	**1,339,602**	1,027,432
— Current	**101,050**	64,885
	1,440,652	1,092,317

Pursuant to the BOT agreements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. The receivables under service concession arrangements are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (Note 22).

(a) Significant changes in contract assets

Receivables under service concession arrangements have increased as the Group has provided more services ahead of the agreed payment schedules for fixed-price contracts. The Group also applied the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made as at 31 December 2018.

(b) Unsatisfied performance obligations

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

	2018 HK$'000
Aggregate amount of the transaction price allocated to long-term service concession arrangements that are partially or fully unsatisfied as at 31 December (Note)	**9,592,974**

Note: As permitted under the transitional provisions in HKFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include variable consideration which is constrained.

20 DEFERRED INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**6,782**	2,731
— to be settled after more than 12 months	**385,292**	313,396
	392,074	316,127

Deferred income tax liabilities

	Revaluation of asset HK$'000	Service concession arrangements HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2017	190,070	61,579	—	251,649
(Credited)/charged to the consolidated statement of profit or loss (Note 12)	(5,676)	45,038	6,000	45,362
Currency translation differences	13,118	5,998	—	19,116
At 31 December 2017	197,512	112,615	6,000	316,127
At 1 January 2018	**197,512**	**112,615**	**6,000**	**316,127**
(Credited)/charged to the consolidated statement of profit or loss (Note 12)	**(3,551)**	**63,558**	**5,700**	**65,707**
Acquisition of subsidiaries (Note 34)	**28,405**	**—**	**—**	**28,405**
Currency translation differences	**(10,607)**	**(7,558)**	**—**	**(18,165)**
At 31 December 2018	**211,759**	**168,615**	**11,700**	**392,074**

Deferred income tax liabilities of approximately HK$134,207,000 as at 31 December 2018 (2017: HK$89,296,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 INVENTORIES

	2018 HK$'000	2017 HK$'000
Fuel and other materials for waste treatment	**5,725**	2,314

The cost of inventories was recognised as expense and included in "cost of sales" amounted to HK$129,181,000 for the year ended 31 December 2018 (2017: HK$88,625,000).

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

	2018 HK$'000	2017 HK$'000
Non-current assets		
Deposits for investments	**558,283**	508,597
Prepayments for property, plant and equipment and concession rights	**66,843**	196,329
Rental deposits	**1,845**	1,617
Other prepayments	**3,713**	4,213
	630,684	710,756
Current assets		
Trade receivables	**259,844**	260,191
Bills receivables	**479**	—
Deposits and prepayments	**42,681**	16,913
Other receivables (Note)	**127,476**	106,709
Value-added tax recoverable	**158,994**	157,973
	589,474	541,786
	1,220,158	1,252,542

Note: As at 31 December 2018 and 2017, the balance mainly include receivables in relation to the management service income (Note 7) from a company whose directors consist of the Group's key management personnel.

22 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

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

	2018 **HK$'000**	2017 HK$'000
Up to 1 month	**116,832**	83,501
1 to 3 months	**53,098**	107,944
3 to 6 months	**28,516**	46,373
Over 6 months	**38,268**	22,373
	236,714	260,191
Unbilled receivables (note)	**23,130**	—
	259,844	260,191

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects into the Renewable Energy Tariff Subsidy Catalogue pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 December 2018, trade receivables of HK$119,882,000 (2017: HK$176,690,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
1 to 3 months	**53,098**	107,944
3 to 6 months	**28,516**	46,373
Over 6 months	**38,268**	22,373
	119,882	176,690

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

	2018 HK$'000	2017 HK$'000
RMB	**1,185,976**	1,209,360
HK$	**34,182**	43,182
	1,220,158	1,252,542

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

23 RESTRICTED DEPOSITS

	2018 HK$'000	2017 HK$'000
Restricted deposits, denominated in RMB	**6,949**	14,786

Restricted deposits of HK$6,949,000 (2017: HK$14,786,000) represents deposits pledged for BOT service concession arrangements in relation to various WTE plants. The effective interest rate on restricted deposits is 0.3%–2.07% per annum (2017: 0.35%–3.05%). All of the restricted deposits are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

24 CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at bank and on hand	**1,224,319**	1,106,214
Bank deposits	**93,112**	241,589
	1,317,431	1,347,803

The weighted average effective interest rate on bank deposits of the Group was (0.9%, 3.3% and 1.7%) for HK$, RMB and United States dollars ("US$") bank deposits respectively (2017: same) and these bank deposits had original maturity dates of three months or less.

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

	2018 HK$'000	2017 HK$'000
HK$	**496,775**	615,962
RMB	**812,512**	723,905
US$	**8,144**	7,936
	1,317,431	1,347,803

As at 31 December 2018, the Group's cash and cash equivalents balances of approximately HK$671,851,000 (2017: HK$708,136,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

(a) Share capital and share premium

	2018	2017
Authorised:		
Number of ordinary shares		
As at 1 January and 31 December	**5,000,000,000**	5,000,000,000
Equivalent nominal value of ordinary shares (HK$'000)	**50,000**	50,000
Issued and fully paid:		
Number of ordinary shares		
As at 1 January	**2,455,332,169**	2,034,235,294
Issue of new shares on 28 March 2017 (Note (i))	**—**	300,000,000
Issue of new shares on 12 April 2017 (Note (ii))	**—**	121,096,875
Buy-back of shares on 4 October 2018 (Note (iii))	**(400,000)**	—
As at 31 December	**2,454,932,169**	2,455,332,169
Equivalent nominal value of ordinary shares (HK$'000)	**24,549**	24,553

Notes:

(i) On 28 March 2017, an aggregate of 300,000,000 ordinary shares were issued at HK$3.5 each. Net proceeds amounted to HK$1,018,013,000.

(ii) On 12 April 2017, an aggregate of 121,096,875 ordinary shares were issued at conversion price of HK$3.84 per share upon the conversion of convertible loan.

(iii) During the year ended 31 December 2018, the Company bought back its own shares through The Stock Exchange as follows:

Month of buy-back	**Number of shares bought back**	**Price per share Highest HK$**	**Price per share Lowest HK$**	**Aggregate consideration HK$'000**
October 2018	400,000	3.99	3.98	1,595
Total expenses on shares bought back				15
				1,610

The shares buy-back was governed by Companies Law of the Cayman Islands and Company's articles of association. The total amount incurred for the shares bought back resulted in the decrease in the Company's share capital of HK$4,000 and share premium of HK$1,606,000 respectively. All the shares bought back were subsequently cancelled on 21 December 2018.

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

(b) Other reserves

(i) Capital reserve

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

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

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

(ii) Statutory reserve

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

(iii) Other reserve

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

(iv) Share option reserve

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

(c) Share options

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

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

No share option granted was exercised or lapsed since the date of grant to 31 December 2018.

26 BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured and at variable interest rates		
Non-current	3,616,936	2,797,061
Current	511,867	362,798
Total	4,128,803	3,159,859

The repayment terms of the long-term bank borrowings are analysed as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	511,867	362,798
Between 1 and 2 years	623,425	523,130
Between 2 and 5 years	1,973,545	1,230,957
Over 5 years	1,019,966	1,042,974
	4,128,803	3,159,859

As at 31 December 2018 and 2017, bank borrowings are secured by rights to collect revenue from power sales and waste handling services, prepaid operating lease payments (Note 16), property, plant and equipment (Note 17), intangible assets (Note 18), and corporate guarantees (Note 32).

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

	2018 %	2017 %
Term loans		
— secured	4.41–5.64	3.96–5.39

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

	2018 HK$'000	2017 HK$'000
RMB	3,443,801	3,159,859
HK$	685,002	—
	4,128,803	3,159,859

27 TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Non-current liabilities		
Other payables (Note)	**172,238**	106,401
Current liabilities		
Trade payables	**198,730**	113,078
Accruals and other payables (Note)	**597,282**	527,893
	796,012	640,971
	968,250	747,372

Note: Other payables, which are non-current in nature, mainly include retention payables for construction projects. Accruals and other payables, which are current in nature, mainly include accrued staff costs and other staff benefits, construction payables and value-added tax payables.

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

	2018 HK$'000	2017 HK$'000
Up to 1 month	**115,186**	72,076
1 to 2 months	**49,816**	12,213
2 to 3 months	**23,906**	7,021
Over 3 months	**9,822**	21,768
	198,730	113,078

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

	2018 HK$'000	2017 HK$'000
RMB	**945,025**	738,440
HK$	**23,225**	8,932
	968,250	747,372

28 DEFERRED GOVERNMENT GRANTS

	2018 **HK$'000**	2017 HK$'000
Deferred government grants	**104,583**	115,183
Less: Amount included under current liabilities	**(4,822)**	(5,520)
Amount included under non-current liabilities	**99,761**	109,663

29 DIVIDEND

The Board has proposed the payment of a final dividend of HK2.7 cents per ordinary share for the year ended 31 December 2018 (2017: HK2.0 cents per ordinary share), totalling to HK$66,283,000 (2017: HK$49,107,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,454,932,169 shares) at the date of approval for issue of these financial statements (i.e. 25 March 2019).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Thursday, 13 June 2019, the proposed final dividend are expected to be paid on Friday, 5 July 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2018.

During the year ended 31 December 2018, the Company has declared an interim dividend of HK1.9 cents per ordinary share (2017: HK1.3 cents per ordinary share), totalling to HK$46,651,000 (2017: HK$31,919,000).

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2018 and 2017 is as follows:

	2018 HK$'000	2017 HK$'000
Bank borrowings — repayable within one year (variable interest rate)	**511,867**	362,798
Bank borrowings — repayable after one year (variable interest rate)	**3,616,936**	2,797,061
Total bank borrowings	**4,128,803**	3,159,859

	Bank borrowings due within 1 year HK$'000	**Bank borrowings due after 1 year HK$'000**	**Convertible loan HK$'000**	**Total HK$'000**
As at 1 January 2017	276,837	1,634,549	407,935	2,319,321
Cash flows	(212,052)	1,286,420	(3,049)	1,071,319
Foreign exchange adjustments	21,806	152,299	—	174,105
Other non-cash movements	276,207	(276,207)	(404,886)	(404,886)
As at 31 December 2017	362,798	2,797,061	—	3,159,859
As at 1 January 2018	**362,798**	**2,797,061**	**—**	**3,159,859**
Cash flows	**(359,583)**	**1,490,500**	**—**	**1,130,917**
Foreign exchange adjustments	**(3,215)**	**(158,758)**	**—**	**(161,973)**
Other non-cash movements	**511,867**	**(511,867)**	**—**	**—**
As at 31 December 2018	**511,867**	**3,616,936**	**—**	**4,128,803**

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

	2018 HK$'000	2017 HK$'000
Net book amount (Note 17)	**4,339**	7,854
Loss on disposals of property, plant and equipment (Note 8)	**(3,315)**	(6,155)
Proceeds from disposals of property, plant and equipment	**1,024**	1,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31 COMMITMENTS

(a) Capital commitments

	2018 HK$'000	2017 HK$'000
Authorised but not contracted to:		
Construction cost for BOT	**2,867,718**	2,377,320
	2,867,718	2,377,320
Contracted but not provided for:		
Construction cost for BOT	**999,470**	542,468
Acquisition of subsidiaries	**15,978**	—
Capital injection (note)	**283,956**	—
	1,299,404	542,468

Note: On 12 December 2018, the Group has entered into the capital increase agreement with Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") and its existing shareholders. Zaozhuang Zhongke currently operates a WTE plant under a BOT concession right in Zaozhuang City, Shandong Province.

Pursuant to this capital increase agreement, the Group has agreed to inject RMB258,801,000 (equivalent to approximately HK$295,369,000) in cash to the enlarged registered share capital of Zaozhuang Zhongke. Upon completion of the injection, the equity interests in Zaozhuang Zhongke will be owned as to 51% by the Group and 49% by the existing shareholders. As such, Zaozhuang Zhongke will become an indirect non-wholly owned subsidiary of the Company. As at 31 December 2018, the Group has prepaid RMB10,000,000 (equivalent to HK$11,413,000) to Zaozhuang Zhongke.

(b) Operating lease commitments

The Group leases various offices and premises under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases (included leases with related party as disclosed in Note 33(a)(i)) are as follows:

	2018 HK$'000	2017 HK$'000
Contracted		
Within 1 year	**9,974**	12,485
After 1 year but within 5 years	**10,092**	16,648
After 5 years	**1,126**	142
	21,192	29,275

32 FINANCIAL GUARANTEES

As at 31 December 2018, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 26) amounting to HK$2,925,080,000 (2017: HK$2,161,547,000).

As at 31 December 2018, the Company and an indirect wholly-owned subsidiary of the Company issued guarantees to two financial institutions in respect of finance leases and loan facilities granted to an associate, respectively.

32 FINANCIAL GUARANTEES (Continued)

The directors do not consider it probable that a claim will be made against the Group under the guarantees. The maximum liability of the Group under the guarantees is the outstanding amount of the facilities drawn amounted to HK$9,550,000 as at 31 December 2018. The guarantee will be released when earlier of (i) the successful listing of the associate on the Stock Exchange; or (ii) the repayment of finance leases and loan facilities by an associate.

As at 31 December 2018, the fair value of the corporate guarantees provided by the Group is not material.

33 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

(i) During the year ended 31 December 2018, the Group paid rental and related expenses of HK$2,739,000 for office to a related party which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family, and was agreed by both parties (2017: HK$2,146,000).

The future aggregate minimum lease payments under non-cancellable operating lease with this related party are as follows:

	2018 HK$'000	2017 HK$'000
Contracted		
Within 1 year	**1,241**	1,364
After 1 year but within 5 years	**442**	885
	1,723	2,249

(ii) During the year ended 31 December 2018, the Group paid fly ash treatment fee of HK$117,873,000 to an associate. As at 31 December 2018, unbilled fly ash treatment fee payable to this associate amounted to HK$74,675,000 and recorded in "Trade and other payables" in the consolidated balance sheet.

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the years ended 31 December 2018 and 2017.

(b) Key management compensation

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

	2018 HK$'000	2017 HK$'000
Wages and salaries	**23,555**	20,141
Pension costs — defined contribution plans	**252**	260
Welfare and other expenses	**2,854**	566
Total	**26,661**	20,967

34 BUSINESS COMBINATION

(a) Acquisition of Xiamen Kun Yue

On 11 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue at a consideration of RMB173,500,000 (equivalent to HK$214,777,000). Xiamen Kun Yue holds the BOT concession right to a WTE plant in Xinfeng County, Jiangxi Province through its subsidiary and this acquisition enable the Group to expand its geographical coverage to Jiangxi Province. This transaction was completed on 30 April 2018 and Xiamen Kun Yue became a wholly-owned subsidiary of the Group.

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

	As at 30 April 2018 HK$'000
Consideration:	
Payables to acquire 100% equity interest in Xiamen Kun Yue	**214,777**
Total consideration transferred	**214,777**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**25,034**
Intangible assets — concession rights (Note 18)	**98,232**
Property, plant and equipment (Note 17)	**352**
Deposits, prepayments and other receivables	**113,075**
Trade and other payables	**(644)**
Deferred income tax liabilities (Note 20)	**(21,272)**
Total identifiable net assets	**214,777**

Acquisition-related costs of HK$112,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2018.

The net cash outflow from acquisition of Xiamen Kun Yue is as follows:

	At acquisition date HK$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Cash consideration	214,777
Less: Cash and cash equivalents acquired	(25,034)
Deposits paid in prior years	(22,777)
Unpaid balance	(18,199)
Net cash outflow — investing activities	148,767

The revenue included in the consolidated statement of profit or loss for the period from 30 April 2018 to 31 December 2018 contributed by Xiamen Kun Yue and its subsidiary was HK$493,030,000. Xiamen Kun Yue and its subsidiary also contributed profit of HK$65,139,000 over the same period.

Had Xiamen Kun Yue been consolidated from 1 January 2018, there are no material impact on the consolidated statement of profit or loss of the Group as Xiamen Kun Yue did not generate any revenue and profit or loss from 1 January 2018 to 30 April 2018.

34 BUSINESS COMBINATION (Continued)

(b) Acquisition of Sichuan Jiajieyuan

On 13 December 2018, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Sichuan Jiajieyuan at a consideration of RMB80,000,000 (equivalent to HK$91,304,000). Sichuan Jiajieyuan is principally engaged in the provision of cleaning and waste management services in Sichuan Province, and this acquisition enable the Group to expand to the cleaning and waste management service industry in the PRC. This transaction was completed on 28 December 2018 and Sichuan Jiajieyuan became a wholly-owned subsidiary of the Group.

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

	As at 28 December 2018 HK$'000
Consideration:	
Payables to acquire 100% equity interest in Sichuan Jiajieyuan	91,304
Total consideration transferred	91,304
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10,386
Intangible assets — contract backlog (Note 18)	11,185
Intangible assets — brand name (Note 18)	17,347
Property, plant and equipment (Note 17)	22,817
Goodwill (Note 18)	47,599
Inventories	544
Trade and other receivables, deposits and prepayments	18,649
Trade and other payables	(27,032)
Deferred income tax liabilities (Note 20)	(7,133)
Current income tax liabilities	(3,058)
Total identifiable net assets	91,304

Acquisition-related costs of HK$940,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2018.

The goodwill is attributable to the workforce and industry experience of the acquired business. It will not be deductible for tax purposes.

The net cash inflow from acquisition of Sichuan Jiajieyuan is as follows:

	At acquisition date HK$'000
Inflow of cash to acquisition, net of cash acquired	
Cash consideration	91,304
Less: Cash and cash equivalents acquired	(10,386)
Unpaid balance	(82,174)
Net cash inflow — investing activities	(1,256)

No revenue was included in the consolidated statement of profit or loss for the period from 29 December to 31 December 2018 contributed by Sichuan Jiajieyuan. Sichuan Jiajieyuan also contributed profit of HK$40,000 over the same period.

Had Sichuan Jiajieyuan been consolidated from 1 January 2018, the consolidated statement of profit or loss of the Group would show pro-forma revenue of HK$3,325,894,000 and profit of HK$758,186,000 for the year ended 31 December 2018.

35 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of remaining equity interests in Beiliu Canvest

On 30 May 2018, the Group entered into a sale and purchase agreement with Beiliu Runtong Technology Company Limited, the indirect non-controlling interests holder of Beiliu Canvest, to acquire the remaining 20% equity interest in Beiliu Canvest at a consideration of RMB30,250,000 (equivalent to HK$35,880,000). This transaction was completed in June 2018. On the date of acquisition, the registered capital of Beiliu Canvest to be injected by the non-controlling interests holder has not yet paid in. The Group recognised an decrease in equity attributable to equity holders of the Company of approximately HK$35,880,000.

(b) Contribution from non-controlling interests

On 30 November 2018, Yuezhan Environmental Technology was incorporated with a total registered capital of RMB10,000,000. The Group owns 51% equity interest in Yuezhan Environmental Technology. Two independent third parties who holds 39% and 10% equity interest in Yuezhan Environmental Technology contributed RMB780,000 (equivalent to HK$890,000) and RMB200,000 (equivalent to HK$229,000), respectively in cash towards the registered capital of Yuezhan Environmental Technology during the year ended 31 December 2018.

36 EVENTS AFTER THE BALANCE SHEET DATE

(a) In January 2019, the Group has entered into the framework agreement in relation to the WTE plant public-private-partnership project located in Mancheng district of Baoding city of Hebei Province with the Mancheng Housing and Urban and Rural Bureau of Construction in Baoding City. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes.

(b) On 18 March 2019, the Group entered into a joint venture agreement with Shanghai Fudan Water Engineering Technology Co., Ltd., Shanghai Nanyi Environmental Technology Company Limited and Shandong Sanding Company Limited to establish a project company which will be principally engaged in, the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province.

The registered capital of the project company shall be RMB105,000,000, and the Group shall contribute RMB21,000,000 in cash towards the registered capital of the project company and hold 20% of the equity interest in the project company.

This project company will become an associate of the Group and its financial results will be accounted for using equity method of accounting in the consolidated financial statements of the Group.

(c) On 21 March 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Bazhong Weiao Environmental Power Company Limited ("Bazhong Weiao"), a company established under the laws of the PRC with limited liability, at a consideration of RMB222,380,000 (equivalent to HK$261,096,000). Bazhong Weiao owns the BOT concession right to a WTE plant in Bazhong City, Sichuan Province with a total daily MSW processing capacity of 1,200 tonnes.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**3,892,936**	3,172,352
Long-term prepayment	**—**	40,566
	3,892,936	3,212,918
Current assets		
Prepayment and other receivables	**20,631**	688
Cash and cash equivalents	**639,919**	636,328
	660,550	637,016
Total assets	**4,553,486**	3,849,934
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**24,549**	24,553
Share premium (Note a)	**2,695,700**	2,697,306
Other reserves (Note a)	**1,061,359**	1,061,359
Retained earnings (Note a)	**66,722**	59,150
Total equity	**3,848,330**	3,842,368
LIABILITIES		
Non-current liabilities		
Bank borrowings	**685,002**	—
Current liabilities		
Other payables	**17,897**	5,216
Amounts due to subsidiaries	**2,257**	2,350
	20,154	7,566
Total liabilities	**705,156**	7,566
Total equity and liabilities	**4,553,486**	3,849,934
Net current assets	**640,396**	629,450
Total assets less current liabilities	**4,533,332**	3,842,368

The balance sheet of the Company was approved by the Board of Directors on 25 March 2019 and was signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

Note a:

	Share premium HK$'000	Capital reserve HK$'000 (Note (i))	Share option reserve HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2017	1,195,835	1,055,525	5,834	71,970	97,242	2,426,406
Issuance of shares through placement	1,015,013	—	—	—	—	1,015,013
Conversion of convertible loan	486,458	—	—	(71,970)	—	414,488
Dividend approved in respect of the previous year (Note 29)	—	—	—	—	(39,285)	(39,285)
Interim divided declared and paid (Note 29)	—	—	—	—	(31,919)	(31,919)
Profit for the year	—	—	—	—	33,112	33,112
Balance at 31 December 2017	2,697,306	1,055,525	5,834	—	59,150	3,817,815
Balance at 1 January 2018	**2,697,306**	**1,055,525**	**5,834**	**—**	**59,150**	**3,817,815**
Dividend approved in respect of the previous year (Note 29)	**—**	**—**	**—**	**—**	**(49,107)**	**(49,107)**
Interim divided declared and paid (Note 29)	**—**	**—**	**—**	**—**	**(46,651)**	**(46,651)**
Buy-back of ordinary shares (Note 25(a))	**(1,606)**	**—**	**—**	**—**	**—**	**(1,606)**
Profit for the year	**—**	**—**	**—**	**—**	**103,330**	**103,330**
Balance at 31 December 2018	**2,695,700**	**1,055,525**	**5,834**	**—**	**66,722**	**3,823,781**

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

FINANCIAL SUMMARY

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	**8,897,623**	7,287,363	5,088,641	3,664,772	2,201,062
Current assets	**2,020,629**	1,971,574	972,263	803,145	1,566,354
Total assets	**10,918,252**	9,258,937	6,060,904	4,467,917	3,767,416
EQUITY AND LIABILITIES					
Total equity	**5,294,557**	4,890,306	2,723,043	2,334,401	2,417,964
Non-current liabilities	**4,285,359**	3,332,949	2,479,209	1,348,289	881,939
Current liabilities	**1,338,336**	1,035,682	858,652	785,227	467,513
Total liabilities	**5,623,695**	4,368,631	3,337,861	2,133,516	1,349,452
Total equity and liabilities	**10,918,252**	9,258,937	6,060,904	4,467,917	3,767,416

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**3,325,894**	2,397,531	1,653,552	1,184,536	793,967
Cost of sales	**(2,228,802)**	(1,578,867)	(1,064,263)	(745,212)	(451,646)
Gross profit	**1,097,092**	818,664	589,289	439,324	342,321
General and administrative expenses	**(228,299)**	(164,701)	(122,904)	(111,646)	(96,723)
Other income	**130,290**	106,596	82,593	49,158	51,467
Other (loss)/gain, net	**(8,830)**	(11,406)	(1,626)	4,325	381
Operating profit	**990,253**	749,153	547,352	381,161	297,446
Interest income	**6,146**	6,438	4,426	11,897	5,525
Interest expense	**(176,136)**	(112,010)	(88,905)	(63,271)	(67,334)
Share of net profits of associates and a joint venture	**32,004**	—	—	—	—
Profit before income tax	**852,267**	643,581	462,873	329,787	235,637
Income tax expenses	**(97,912)**	(79,334)	(62,855)	(40,892)	(27,278)
Profit for the year	**754,355**	564,247	400,018	288,895	208,359
Attributable to:					
Equity holders of the Company	**754,364**	564,247	400,018	272,001	191,038
Non-controlling interests	**(9)**	—	—	16,894	17,321
Earnings per share (expressed in HK cents per share)					
— Basic (note)	**30.7**	24.0	19.8	13.6	12.7
— Diluted	**30.7**	24.0	19.8	13.6	12.7

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2014 have been retrospectively adjusted to reflect 1,152,380 shares and 1,498,847,619 shares issued upon the reorganisation completed on 19 May 2014 and capitalisation completed on 29 December 2014, respectively.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lee Wing Yee Loretta
(Chairlady and Executive Director)
Mr. Lai Kin Man
(Deputy Chairman and Executive Director)
Mr. Yuan Guozhen
(Chief Executive Officer and Executive Director)
Mr. Lai Chun Tung (Executive Director)

Non-Executive Directors

Mr. Feng Jun
Mr. Lui Ting Cheong Alexander
Mr. Lai Yui

Independent Non-executive Directors

Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin
Mr. Chung Kwok Nam

BOARD COMMITTEES

Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Professor Sha Zhenquan
Mr. Chung Wing Yin

Remuneration Committee

Professor Sha Zhenquan (Chairperson)
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin

Nomination Committee

Mr. Chung Wing Yin (Chairperson)
Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason

Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Ms. Lee Wing Yee Loretta
Professor Sha Zhenquan
Mr. Chung Wing Yin

COMPANY SECRETARY

Ms. Wong Ling Fong Lisa (HKICPA)

AUTHORISED REPRESENTATIVES

Ms. Lee Wing Yee Loretta
Ms. Wong Ling Fong Lisa

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISORS

as to Hong Kong law:
King & Wood Mallesons

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

as to BVI and Cayman Islands law:
Maples and Calder

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

INVESTOR RELATIONS

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

WEBSITE

www.canvestenvironment.com

LISTING INFORMATION

Equity Securities Listing

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

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of shareholders who are entitled to attend and vote at the 2019 AGM

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 6 June 2019
Period of closure of register of members	:	Monday, 10 June 2019 to Thursday, 13 June 2019 (both dates inclusive)

To determine the shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	:	Wednesday, 19 June 2019
Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 20 June 2019
Period of closure of register of members	:	Friday, 21 June 2019 to Tuesday, 25 June 2019 (both dates inclusive)
Record date	:	Tuesday, 25 June 2019

To qualify for attending and voting at the 2019 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 2019 AGM will be held on Thursday, 13 June 2019. Notice of the 2019 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

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

GLOSSARY

AGM	Annual general meeting
Bazhong Weiao	Bazhong Weiao Environmental Power Company Limited** (巴中威澳環保發電有限公司), a company established under the laws of the PRC with limited liability
Beiliu	Beiliu Canvest 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 an indirect wholly-owned subsidiary of the Company
Beiliu Runtong	Beiliu Runtong Environmental Investment Company Limited** (北流市潤通環保投資有限公司), a company established under the laws of the PRC with limited liability on 8 December 2011, and became an indirect wholly-owned subsidiary of the Company in 2018
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
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 and is a joint venture of Utrust Holdings and Bank of China Group Investment Limited
BOO	build-own-operate, a project model in which a private entity builds, owns and operates their facilities and assets with no obligation to transfer their ownership of their relevant facilities and assets to any specified parties at any specified time
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
BVI	the British Virgin Islands
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Canvest (China)	Canvest Environmental (China) Company Limited, a company incorporated in the British Virgin Islands and is an indirect wholly owned subsidiary of the Company
Canvest Yuezhan	Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited)** (粵豐粵展環保投資(廣東)有限公司) (formerly known as 粵展環保投資(廣東)有限公司), a company established under the laws of the PRC with limited liability on 27 February 2017 and an indirect wholly-owned subsidiary of the Company
Cash generated from operating projects*	Net cash generated from/used in operating activities for the period, excluding net operating cash used for construction of various WTE plants under BOT arrangements

GLOSSARY

Century Rise	Century Rise Development Limited (誠朗發展有限公司), a company incorporated under the laws of BVI on 6 January 2012 with limited liability and a controlling shareholder of the Company
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
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 11 December 2017 and an indirect wholly-owned subsidiary of the Company
Director(s)	director(s) of the Company
Dongguan Lujia	Dongguan City Lujia Environmental Technology Company Limited** (東莞市綠嘉環保資源投資有限公司), a company established under the laws of the PRC with limited liability on 22 December 2016 and became an indirect wholly-owned subsidiary of the Company in 2018
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞新東粵環保實業有限公司), a company established under the laws of the PRC with limited liability
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
EIT	Enterprise Income Tax of the PRC
Fund	Zhuhai Hengqin Utrust Canvest Clean Energy Industry Acquisition Investment Fund L.P.** (珠海橫琴粵財粵豐清潔能源產業併購合夥企業(有限合夥)), a limited partnership to be established under the laws of the PRC pursuant to the partnership agreement
Group	the Company and its subsidiaries
Guangdong Utrust	Guangdong Utrust Trust Company Limited** (廣東粵財信託有限公司), a company established in the PRC with limited liability
Hangzhou Langneng	Hangzhou Langneng Environmental Company Limited** (杭州朗能環保科技有限公司), a company established under the laws of the PRC with limited liability on 13 December 2012 and became an indirect wholly-owned subsidiary of the Company in 2018
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong

GLOSSARY

Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huafa Group	Zhuhai Huafa Group Company Limited** (珠海華發集團有限公司), a company incorporated in the PRC and indirectly holds 59% equity interest in Johnson
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
Jianyang Canvest	Jianyang Canvest Environmental Power Company Limited** (簡陽粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability
Johnson	Johnson Cleaning Services Company Limited (莊臣有限公司), a company incorporated under the laws of Hong Kong with limited liability
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as "Dongguan Kewei Environmental Power Company Limited")** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company 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 Canvest Environmental Power Company Limited** (formerly known as "Laibin Zhongke Environmental Power Company Limited") (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 January 2005 and an indirect wholly-owned subsidiary of the Company
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Loyal Step	Loyal Step Limited (步忠有限公司), a company incorporated in Hong Kong with limited liability
Lufeng	Lufeng Canvest 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 with limited liability on 21 November 2016 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
Mr. CT Lai	Mr. Lai Chun Tung (黎俊東), an executive Director
Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and our deputy chairman

Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady of our Company
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.
Open Mind	Open Mind Global Limited (啟迪有限公司), a company incorporated in the British Virgin Islands with limited liability
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited（清遠中田新能源有限公司）, a company established under the laws of the PRC with limited liability on 12 November 2007 and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company established under the laws of the PRC with limited liability on 4 April 2003 and became an indirect wholly-owned subsidiary of the Company in 2018
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 whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company
True Victor	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL
US dollars	United States dollars, lawful currency of the United States of America
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 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 Partners	BOC & UTRUST and Utrust International
VAT	Value-added tax in the PRC
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust
World Prosperous	World Prosperous Investments Limited (世豐國際投資有限公司), a company incorporated under the laws of Hong Kong on 12 August 2011 with limited liability and an indirect wholly-owned subsidiary of the Company

GLOSSARY

WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xiamen Kun Yue	Xiamen Kun Yue Environmental Company Limited** (廈門坤躍環保有限公司), a company established under the laws of the PRC with limited liability on 6 April 2010 and became an indirect wholly-owned subsidiary of the Company in 2018
Xinfeng	Jiangxi Xinfeng Kun Yue Environmental Protection Company Limited** (江西信豐坤躍環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 June 2014 and became an indirect wholly-owned subsidiary of the Company in 2018
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 an indirect wholly-owned subsidiary of the Company
Xinyi	Xinyi Canvest Environmental Power Company Limited** (信宜粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 17 March 2017 and an indirect wholly-owned subsidiary of the Company
Xuwen	Xuwen Canvest Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 January 2018 and an indirect wholly-owned subsidiary of the Company
Yue Xing	Yue Xing Company Limited** (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director of the Company, and his associate
Yuezhan Intelligent Environmental	Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited** (粵豐粵展智慧環衛服務(廣東)有限公司), a company established under the laws of PRC with limited liability on 26 September 2018 and an indirectly wholly-owned subsidiary of the Company
Zaozhuang Zhongke	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company established in the PRC with limited liability
Zhanjiang	Zhanjiang Canvest 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 with limited liability on 3 April 2013 and an indirect wholly-owned subsidiary of the Company
Zhongshan	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
Zhongzhou Environmental	Huizhou City Zhongzhou Environmental Resources Company Limited** (惠洲市中洲環保資源有限公司), a company incorporated in the PRC with limited liability
%	per cent

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

** For identification purposes only