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## CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### HIGHLIGHTS

Financial Highlights	For the six months ended 30 June		Change
	2019	2018	
Revenue (HK\$'000)	<b>2,004,030</b>	1,310,765	+52.9%
Included: Revenue from power sales and waste treatment (HK\$'000)	<b>853,813</b>	763,168	+11.9%
Gross profit (HK\$'000)	<b>618,268</b>	487,158	+26.9%
EBITDA (HK\$'000)	<b>751,429</b>	584,425	+28.6%
Profit for the period (HK\$'000)	<b>400,260</b>	317,986	+25.9%
Profit attributable to equity holders of the Company (HK\$'000)	<b>400,771</b>	317,986	+26.0%
Basic earnings per share (HK cents)	<b>16.3</b>	13.0	+25.4%
Interim dividend per share (HK cents)	<b>3.2</b>	1.9	+68.4%
Cash generated from operating projects (HK\$'000) <sup>(1)</sup>	<b>350,059</b>	415,393	-15.7%

Note:

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

## Operational Highlights

- During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 2,836,859 tonnes. The Group generated 1,124,759,000kWh from green energy, saving 348,650 tonnes of standard coal and offsetting 1,907,847 tonnes of carbon dioxide equivalent emissions<sup>(1)</sup>.
- During the period under review, Xinfeng WTE plant and phase 2 of Beiliu WTE plant commenced trial operation.
- In January 2019, Kewei was awarded the concession right in relation to the WTE plant located in Mancheng district of Baoding city of Hebei Province.
- On 18 March 2019, the Group entered into an 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.
- In May 2019, Kewei was awarded the concession right in relation to the WTE plant located in Ruili City of Yunnan Province.
- On 11 June 2019, Kewei entered into an agreement in relation to the acquisition of 49% equity interest in Dongguan Xindongyuan. Dongguan Xindongyuan owns the concession right to a WTE plant in Resources Comprehensive Utilisation Center in Haixinsha Island, Machong Town, Dongguan City, Guangdong Province, with a total daily MSW processing capacity of 2,250 tonnes.
- In July 2019, Kewei entered into a PPP agreement with the Shaoguan Municipal Administration Center in relation to a WTE project located in Shaoguan City of Guangdong Province.
- In August 2019, Kewei entered into a service concession agreement in relation to Qiandongnan Prefecture South Area WTE Plant in Guizhou Province.
- On 21 August 2019, the Group entered into an agreement with SIIC Environment Tech to establish a company, which will be principally engaged in the investment, construction and operation of a WTE project located in the Yangtze River Delta region.

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2019. The condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's independent auditor, PricewaterhouseCoopers.

*Note:*

- (1) The Group has adopted the methodology as stated in Clean Development Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to calculate and offset greenhouse gas emissions from operating projects. The greenhouse gas emission calculation methodologies account for the carbon dioxide equivalent emitted from fossil fuels used for electricity generation and emissions from the combustion of MSW, and methane released from the wastewater treatment process.

## CHAIRLADY'S STATEMENT

To ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the six months ended 30 June 2019 (the “**Period**”).

During the Period, Canvest continued to benefit from favourable national environmental protection policies and achieved satisfactory growth. The “Plan on Urban Household Waste Treatment Facilities Construction for the 13th Five Year Plan Period” (「十三五全國城鎮生活垃圾無害化處理設施建設規劃」) set a national municipal solid waste treatment by incineration target of 54%, created immense development opportunities in the WTE industry. In February 2019, the Central Committee of the Communist Party of China and the State Council released “the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay”, which highlighted the potential synergistic benefits from the population of approximately 70 million with a GDP of around RMB10 trillion in the regions. The plan urged to enhance the deepened cooperation among the nine Pearl River Delta cities to increase integration in the Greater Bay Area, while emphasizing the principles of prioritising resource conservation and environmental protection to develop a beautiful bay area. Such advocates echoes with the belief that “Lucid Waters and Lush Mountains are Invaluable Assets”, and will facilitate the building of a beautiful China and an ecological civilization in the country.

Environmental sector continues to play a vital role in China’s development path and brings tremendous business opportunities to the WTE industry. Riding the tailwinds of favorable policies and leveraging on our strong track record and resources from our strategic shareholder, Canvest continues to expand its footprints across the country. In addition, the Group actively seeks new upstream and downstream business opportunities along the WTE industry value chain to maximize profitability, and constantly reviews its operation flow to optimize efficiencies and ensure full compliance of environmental regulations and standards.

## FINANCIAL PERFORMANCE

In the first half of 2019, we achieved satisfactory financial results. Total revenue increased by 52.9% year-on-year to HK\$2,004.0 million, and profit attributable to equity holders of the Company increased by 26.0% year-on-year to HK\$400.8 million. The increases were mainly attributable to the increase in construction revenue arising from the construction of WTE plants.

After taking into consideration of the Group’s development plan and investment returns to our Shareholders, the Board declared an interim dividend of HK3.2 cents per ordinary share for the six months ended June 2019 (corresponding period of 2018: HK1.9 cents).

## **BUSINESS REVIEW**

As at the date of this announcement, the Group has secured 25 WTE projects, with 12 projects in operation, and the remaining 13 projects are progressing as planned. The total operating, secured, announced and managed daily MSW processing capacity amounted to 36,590 tonnes.

During the Period, Canvest further expanded its presence to other provinces. We were awarded the Mancheng WTE PPP project in Hebei Province and the Ruili WTE PPP project in Yunnan Province, with the daily MSW processing capacity both being 1,000 tonnes. Furthermore, we have also entered into an agreement for the acquisition of 49% equity interest of the Machong Town WTE project in Guangdong Province with a total daily MSW processing capacity of 2,250 tonnes. In addition, we were awarded the Shaoguan WTE public-private-partnership project in Guangdong Province in July 2019 and the Qiandongnan Prefecture South Area WTE project in Guizhou Province in August 2019, with the daily MSW processing capacity both being 1,050 tonnes.

Apart from the new greenfield and brownfield projects, we were excited to begin our project level cooperation with our strategic and second largest Shareholder, SIHL. In March 2019, the Group entered into an agreement with Shanghai Fudan Water Engineering Technology Co., Ltd, a non wholly-owned subsidiary of SIIC Environment Holdings Ltd, which is an associate of SIHL, and Shanghai Nanyi Environmental Technology Company Limited and Shandong Sanding Company Limited, both of which are Independent Third Parties, for the establishment of a project company, which will be principally engaged in the investment, construction and operation of a WTE project with total daily MSW processing capacity of 1,200 tonnes located in the Circular Economy Industrial Park in Shen County, Shandong Province. The establishment of a project company with SIHL represents an important new business development model for the Group, and we are optimistic and confident that more new project opportunities will be unleashed via the same cooperation model in the future.

Canvest is committed to uphold high management and environmental standards. In July 2019, we published the first stand-alone sustainability report in accordance with the Global Reporting Initiative standards and the Listing Rules, which summarised our continued efforts and achievements in the areas of environmental, sustainability and corporate governance. In addition, we are also pleased to be awarded the “EcoChallenger” in the “BOCHK Corporate Environmental Leadership Awards 2018”, which recognizes the Group’s contribution and commitment towards a low-carbon and sustainable future. In addition, we are pleased to receive prestigious awards for the fourth consecutive year at the HKIRA’s Investor Relations Awards.

## OUTLOOK

With 2020 being the last year of the 13th Five Year Plan, new project opportunities will continue to be tendered by local governments in order to achieve the 54% municipal solid waste treatment by incineration target. Following the “Notice on the Implementation Plan of Municipal Solid Waste Sorting System” (生活垃圾分類制度實施方案的通知) released by the General Office of the State Council in March 2017, which targeted a municipal solid waste recycle rate of 35% in 46 selected cities by 2020, a new “Circular of the Ministry of Housing and Urban-Rural Development and other Departments on Implementing the Classification System for Municipal Solid Waste in Cities at or above the Prefecture” (住房和城鄉建設部等部門關於在全國地級及以上城市全面開展生活垃圾分類工作的通知) was released in June 2019 to further promote the waste sorting initiatives, which targeted to establish municipal solid waste sorting system in 46 selected key cities by 2020, and in all prefecture and above level cities by 2025. In response to the Central Government’s plan to promote the implementation of waste sorting system, the “Shanghai Household Waste Management Regulation” (上海市生活垃圾管理條例) became effective in July 2019, and Shanghai became one of the first pilot cities to require its residents to strictly follow waste sorting practice. The implementation of waste sorting system is another policy demonstrating the Central Government’s long term commitment to build a beautiful environment with blue skies, green mountains and clear waters. The new policies will bring new business opportunities to the market, and we are confident that our Group is well-positioned and capable to capture and benefit from such new growth potentials.

The Group is working closely with SIHL on a pipeline of new projects. In August 2019, the Group entered into an agreement with SIIC Environment Tech to establish a company to invest, construct and operate a WTE project in Yangtze River Delta Region. Leveraging on SIHL’s extensive resources and the Group’s proven track record and high operation standards, we are confident that more new projects and cooperations will come to fruition in the future.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, business partners and stakeholders for their continuous and unfailing support, and to our dedicated staff members. Canvest will adhere 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, 22 August 2019

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2019*

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	2,004,030	1,310,765
Cost of sales	4	(1,385,762)	(823,607)
<b>Gross profit</b>		<b>618,268</b>	487,158
General and administrative expenses	4	(120,256)	(107,997)
Other income	5	76,280	62,320
Other losses, net	6	(8,292)	(1,425)
<b>Operating profit</b>		<b>566,000</b>	440,056
Interest income	7	2,718	3,154
Interest expense	7	(106,913)	(86,297)
Interest expense, net		(104,195)	(83,143)
Share of net profits of associates and a joint venture		14,059	2,515
<b>Profit before income tax</b>		<b>475,864</b>	359,428
Income tax expense	8	(75,604)	(41,442)
<b>Profit for the period</b>		<b>400,260</b>	317,986
<b>Profit attributable to:</b>			
Equity holders of the Company		400,771	317,986
Non-controlling interests		(511)	—
		<b>400,260</b>	<b>317,986</b>
<b>Earnings per share</b>			
— basic ( <i>expressed in HK cents per share</i> )	9(a)	<b>16.3</b>	13.0
— diluted ( <i>expressed in HK cents per share</i> )	9(b)	<b>16.3</b>	13.0

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2019*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>400,260</b>	317,986
<b>Other comprehensive loss, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	<b>(20,703)</b>	(47,763)
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Share of other comprehensive loss of associate accounted for using the equity method	—	(18)
Other comprehensive loss for the period, net of tax	<b>(20,703)</b>	(47,781)
<b>Total comprehensive income for the period</b>	<b>379,557</b>	270,205
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>380,063</b>	270,205
Non-controlling interests	<b>(506)</b>	—
	<b>379,557</b>	270,205

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 June 2019*

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	<b>31 December 2018 (Audited) HK\$'000</b>
<i>Note</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Land use rights	—	136,324
Property, plant and equipment	1,336,552	1,391,567
Intangible assets	5,767,610	4,962,118
Investments in associates and a joint venture	467,234	437,328
Long-term deposits and prepayments	10 851,036	630,684
Receivables under service concession arrangements	1,444,100	1,339,602
Right-of-use assets	146,763	—
	<b>10,013,295</b>	<b>8,897,623</b>
<b>Current assets</b>		
Inventories	7,007	5,725
Receivables under service concession arrangements	106,169	101,050
Trade and bills receivables	10 388,006	260,323
Other receivables, deposits and prepayments	10 456,592	329,151
Restricted deposits	16,198	6,949
Cash and cash equivalents	1,068,434	1,317,431
	<b>2,042,406</b>	<b>2,020,629</b>
<b>Total assets</b>	<b>12,055,701</b>	<b>10,918,252</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	24,549	24,549
Share premium	2,695,700	2,695,700
Other reserves	450,586	494,227
Retained earnings	2,384,444	2,078,971
	<b>5,555,279</b>	<b>5,293,447</b>
Non-controlling interests	604	1,110
<b>Total equity</b>	<b>5,555,883</b>	<b>5,294,557</b>



		As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	<i>11</i>	167,004	172,238
Lease liabilities		4,506	—
Deferred government grants		96,966	99,761
Other non-current liabilities		4,784	4,350
Deferred income tax liabilities		426,573	392,074
Bank borrowings		3,932,217	3,616,936
		<u>4,632,050</u>	<u>4,285,359</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	1,169,287	796,012
Lease liabilities		6,651	—
Deferred government grants		4,803	4,822
Current income tax liabilities		38,084	25,635
Bank borrowings		648,943	511,867
		<u>1,867,768</u>	<u>1,338,336</u>
<b>Total liabilities</b>		<u>6,499,818</u>	<u>5,623,695</u>
<b>Total equity and liabilities</b>		<u>12,055,701</u>	<u>10,918,252</u>
<b>Net current assets</b>		<u>174,638</u>	<u>682,293</u>
<b>Total assets less current liabilities</b>		<u>10,187,933</u>	<u>9,579,916</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

#### Significant events and transactions

##### *(a) Concession rights awarded*

- In January 2019, the Group was awarded the concession right in relation to the waste-to-energy (“WTE”) plant located in Mancheng district of Baoding city of Hebei Province by Mancheng Housing and Urban and Rural Bureau of Construction in Baoding City.
- In May 2019, the Group was awarded the concession right in relation to the WTE plant located in Ruili City of Yunnan Province by Bureau of Housing, Urban and Rural Construction of Ruili City.

##### *(b) Formation of a project company with 20% equity interest held by the Group*

On 18 March 2019, the Group entered into an 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. The project company was incorporated in April 2019 and is accounted for as an associate in the condensed consolidated interim financial information of the Group. The Group injected the initial capital of RMB1,050,000 in cash to the project company in July 2019.

##### *(c) Acquisition of 49% equity interest in Dongguan Xindongyuan Environmental Investment Company Limited (“Dongguan Xindongyuan”)*

On 11 June 2019, the Group entered into an agreement in relation to the acquisition of 49% equity interest in Dongguan Xindongyuan at a consideration of RMB6,550,000 (equivalent to HK\$7,446,000). Dongguan Xindongyuan owns the concession right to a WTE plant in Machong Town, Dongguan City, Guangdong Province with a total daily municipal solid waste processing capacity of 2,250 tonnes. The transaction has been completed in August 2019.

**(d) Adoption of a share award scheme**

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

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

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

No shares were purchased or granted by the Company under the Share Award Scheme and the Group do not recognised any equity-settled share-based payments in relation to the Share Award Scheme during the six months ended 30 June 2019.

## **2 ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 “Leases” (“HKFRS 16”). 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 16 on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2019.

**(i) Adjustments recognised on adoption of HKFRS 16**

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules for lessees are therefore recognised in the opening interim condensed consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases" ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.25%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with remaining lease term of less than 12 months as at 1 January 2019 as short-term lease;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

As a lessee, the Group's leases are mainly rentals of offices and land use rights. The right-of-use assets for leases were measured on a modified retrospective basis as if new rules had always been applied and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The change in accounting policy affected the following items in the interim condensed consolidated balance sheet at 1 January 2019:

	<b>31 December 2018</b>	<b>Adjustments on adoption of</b>	<b>1 January 2019</b>
	<b>As originally presented</b>	<b>HKFRS 16</b>	<b>As restated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Land use rights	136,324	(136,324)	—
Long-term deposits and prepayments	630,684	(1,845)	628,839
Right-of-use assets	—	152,403	152,403
<b>Non-current liabilities</b>			
Lease liabilities	—	7,867	7,867
<b>Current liabilities</b>			
Lease liabilities	—	6,511	6,511
<b>Equity</b>			
Retained earnings	2,078,971	(144)	2,078,827

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and the lease liabilities recognised in the interim condensed consolidated balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

	<b>Unaudited</b>
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	21,192
Discounted using the lessee's incremental borrowing rate at the date of initial application	20,146
Less: short-term leases recognised on a straight-line basis as expense	(2,810)
Less: low-value leases recognised on a straight-line basis as expense	(2,958)
Lease liabilities recognised as at 1 January 2019	14,378
Of which are:	
Current lease liabilities	6,511
Non-current lease liabilities	7,867
	14,378

**(ii) The Group's leasing activities and how these are accounted for**

The Group's leases are mainly rentals of offices. Rental contracts of offices are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but certain leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of office were classified as operating leases and the payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group elected to present the "right-of-use assets" separately in the interim condensed consolidated balance sheet. Land use rights of HK\$136,324,000, which were previously recognised under operating lease, and long-term deposits of HK\$1,845,000 were reclassified as "right-of-use assets" in the interim condensed consolidated balance sheet as at 1 January 2019.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments) and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

### **3 REVENUE AND SEGMENT INFORMATION**

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the six months ended 30 June 2019, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2018: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China ("PRC"). All of the Group's revenue is generated in the PRC and most of its non-current assets are located in the PRC for the six months ended 30 June 2019 (2018: same).

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue from power sales	<b>612,929</b>	553,489
Waste treatment fee	<b>240,884</b>	209,679
Construction revenue arising from build-operate-transfer ("BOT") arrangement	<b>1,053,970</b>	518,043
Finance income arising from BOT arrangement	<b>44,143</b>	29,554
Environmental hygiene services income	<b>52,104</b>	—
	<b><u>2,004,030</u></b>	<u>1,310,765</u>

For the six months ended 30 June 2019, the Group had transactions with three (for the six months ended 30 June 2018: two) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$449,224,000, HK\$391,071,000 and HK\$343,201,000 were derived from the largest, second largest and third largest customer for the six months ended 30 June 2019, respectively, while revenue of approximately HK\$392,683,000 and HK\$390,519,000 were derived from the largest and second largest customer for the six months ended 30 June 2018, respectively.

#### 4 EXPENSES BY NATURE

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Maintenance cost	<b>71,294</b>	39,633
Environmental protection expenses	<b>130,529</b>	118,627
Auditors' remuneration	<b>2,051</b>	2,206
Employee benefit expenses	<b>155,200</b>	111,627
Depreciation and amortisation		
— Property, plant and equipment	<b>62,862</b>	62,004
— Intangible assets	<b>100,653</b>	74,797
— Right-of-use assets	<b>5,137</b>	—
— Land use rights	—	1,899
Other lease expenses*	<b>4,298</b>	—
Operating lease rentals	—	5,078
Construction cost recognised for construction of BOT projects (included in cost of sales)	<b>878,595</b>	431,702
	<b><u>878,595</u></b>	<u>431,702</u>

\* These expenses relate to short-term leases or leases of low-value assets. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

## 5 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Value-added tax refund (Note (i))	60,729	47,564
Management income (Note (ii))	6,103	5,807
Government grants (Note (iii))	2,448	2,648
Others	7,000	6,301
	<u>76,280</u>	<u>62,320</u>

Note:

- (i) The amount represents the Group's entitlement to a 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 six months ended 30 June 2019 is derived from the provision of management services to a company whose directors consist of key management personnel from the Group (2018: 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 these grants.

## 6 OTHER LOSSES, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Gain)/loss on disposal of property, plant and equipment	(110)	142
Exchange losses, net	8,402	1,283
	<u>8,292</u>	<u>1,425</u>



## 7 INTEREST INCOME AND EXPENSE

	Six months ended 30 June	
	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>
Interest expense on bank borrowings	(112,871)	(88,398)
Interest expense on lease liabilities	(277)	—
Less: amount capitalised on qualifying assets	<u>6,235</u>	<u>2,101</u>
	(106,913)	(86,297)
Interest income from bank deposits	<u>2,718</u>	<u>3,154</u>
Interest expense, net	<u><u>(104,195)</u></u>	<u><u>(83,143)</u></u>

## 8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>
<b>Current income tax</b>		
PRC enterprise income tax (“EIT”)	38,971	25,280
Hong Kong profits tax	<u>—</u>	<u>—</u>
<b>Total current income tax</b>	38,971	25,280
<b>Deferred income tax</b>	<u>36,633</u>	<u>16,162</u>
<b>Income tax expense</b>	<u><u>75,604</u></u>	<u><u>41,442</u></u>

No Hong Kong profits tax has been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the period (2018: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the six months ended 30 June 2019 and 2018 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax incentive that the project would be fully exempted from the PRC 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.

Subsidiaries	Applicable tax rate	
	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Dongguan China Scivest Environmental Power Company Limited		
— phase 1 of its project	25%	12.5%
— phase 2 of its project	0%	0%
Dongguan Eco-Tech Environmental Power Company Limited		
— phase 1 of its project	12.5%	12.5%
— phase 2 of its project	0%	0%
Zhanjiang Canvest Environmental Power Company Limited	12.5%	0%
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited		
— phase 1 of its project	12.5%	12.5%
— phase 2 of its project	0%	0%
Laibin Canvest Environmental Power Company Limited	0%	0%
Beiliu Canvest Environmental Power Company Limited	0%	0%
Lufeng Canvest Environmental Power Company Limited	0%	0%
Jiangxi Xinfeng Kunyue Environmental Power Company Limited	0%	25%

## 9 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.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	400,771	317,986
Weighted average number of ordinary shares in issue (thousand shares)	2,452,932	2,455,332
Basic earnings per share (HK cents)	16.3	13.0

**(b) Diluted**

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

The Company has one category of dilutive potential ordinary share: share options (2018: same). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2019 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 six months ended 30 June 2018 is calculated as follows:

	Six months ended 30 June 2018 (Unaudited)
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>317,986</u>
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	2,455,332
Adjustments for share options ( <i>thousand shares</i> )	<u>18</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousand shares</i> )	<u>2,455,350</u>
Diluted earnings per share ( <i>HK cents</i> )	<u>13.0</u>

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>Non-current assets</b>		
Deposits and advances for investments (Note (a))	730,471	558,283
Prepayments for property, plant and equipment and concession rights	117,334	66,843
Rental deposits	—	1,845
Other prepayments	3,231	3,713
	<u>851,036</u>	<u>630,684</u>
<b>Current assets</b>		
Trade receivables	385,107	259,844
Bills receivables	2,899	479
Deposits and prepayments	46,854	42,681
Other receivables (Note (b))	175,955	127,476
Value-added tax recoverable	233,783	158,994
	<u>844,598</u>	<u>589,474</u>
	<u><u>1,695,634</u></u>	<u><u>1,220,158</u></u>

Note:

- (a) As at 30 June 2019, the balance include an advance of HK\$121,126,000 to Donggan Xindongyuan which is unsecured, interest-bearing at the rate announced by the People's Bank of China and will be settled in 2024 (as at 31 December 2018: Nil).
- (b) As at 30 June 2019 and 31 December 2018, the balance mainly includes receivables in relation to the management service income (Note 5) from a company whose directors consist of the Group's key management personnel.

The Group determines the provision for expected credit losses by grouping together trade and bills receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and bills receivables which are long overdue with significant balances, they are assessed individually for impairment allowance. The expected credit losses 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 is as follows:

	As at 30 June 2019 (Unaudited) <i>HK\$'000</i>	As at 31 December 2018 (Audited) <i>HK\$'000</i>
Up to 1 month	165,484	116,832
1 to 3 months	114,662	53,098
3 to 6 months	29,501	28,516
Over 6 months	18,351	38,268
	<u>327,998</u>	<u>236,714</u>
Unbilled receivables (Note)	57,109	23,130
	<u>385,107</u>	<u>259,844</u>

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects 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.

## 11 TRADE AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited) <i>HK\$'000</i>	As at 31 December 2018 (Audited) <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Other payables (Note (a))	167,004	172,238
<b>Current liabilities</b>		
Trade payables (Note (b))	178,416	198,730
Dividend payable (Note 12)	66,283	—
Accruals and other payables (Note (a))	924,588	597,282
	<u>1,169,287</u>	<u>796,012</u>
	<u>1,336,291</u>	<u>968,250</u>

Note:

- (a) 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.
- (b) Included in “Trade payables” are payables of HK\$41,082,000 (as at 31 December 2018: HK\$74,675,000) due to the Group’s associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.

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

	<b>As at 30 June 2019 (Unaudited) HK\$’000</b>	<b>As at 31 December 2018 (Audited) HK\$’000</b>
Up to 1 month	<b>124,478</b>	115,186
1 to 2 months	<b>10,555</b>	49,816
2 to 3 months	<b>8,012</b>	23,906
Over 3 months	<b>35,371</b>	9,822
	<b>178,416</b>	198,730

## 12 DIVIDENDS

The Board has resolved to declare an interim dividend of HK3.2 cents per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK1.9 cents per ordinary share), payable on Friday, 4 October 2019 to shareholders whose names appear on the register of members of the Company on Friday, 20 September 2019. The interim dividend, amounting to HK\$78,099,000 (six months ended 30 June 2018: HK\$46,651,000), has not been recognised as a dividend payable in the condensed consolidated interim financial information. The amount of interim dividend declared for the six months ended 30 June 2019 was calculated based on the number of ordinary shares in issue at the date of approval for issue of the condensed consolidated interim financial information.

The final dividend of HK2.7 cents per ordinary share for the year ended 31 December 2018 (for the year ended 31 December 2017: HK2.0 cents per ordinary shares) has been approved by the shareholders at the annual general meeting of the Company held on Thursday, 13 June 2019, and was subsequently paid on Friday, 5 July 2019. The final dividends for the year ended 31 December 2018, amounting to HK\$66,283,000, have been recognised as dividends payable as at 30 June 2019.

### 13 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 shares at a consideration of HK\$3.7 per share, totaling HK\$37,370,000, for the purpose of the Share Award Scheme. These shares constitute part of the trust fund and are held by the Trustee for the benefit of the Eligible Persons under the trust. No share was granted by the Group under the Share Award Scheme up to the date of this announcement.
- (b) In July 2019, the Group was awarded the WTE plant public-private-partnership project located in Shaoguan City of Guangdong Province by the Shaoguan Municipal Administration Center. The daily MSW processing capacity of this WTE plant shall be 1,050 tonnes.
- (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”) at a consideration of RMB222,380,000 (equivalent to HK\$261,096,000). Bazhong Weiao owns the BOT concession right to operate a WTE plant in Bazhong City, Sichuan Province with a total daily MSW processing capacity of 1,200 tonnes. In July 2019, the agreement was lapsed as the conditions precedent of the acquisition had not been satisfied within the time period as set out in the agreement.
- (d) In August 2019, the Group was awarded the concession right in relation to Qiandongnan Prefecture South Area WTE Plant in Guizhou Province by the Bureau of Housing, Urban and Rural Construction of Liping County. The daily MSW processing capacity of this WTE plant shall be 1,050 tonnes.
- (e) On 21 August 2019, the Group entered into an agreement with SIIC Environment Tech (Hong Kong) Limited to establish a company which will be principally engaged in the investment, construction and operation of WTE project located in Yangtze River Delta region. The registered capital of this company shall be HK\$30,000,000, and the Group shall contribute HK\$9,000,000 in cash towards the registered capital of this company and hold 30% of the equity interest in this company. This company will be accounted for as an associate in the consolidated financial statements of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

To further promote the construction of ecological civilization, the Central Government of the PRC continued to promulgate many policies to achieve the aim of the “Plan on Urban Household Waste Treatment Facilities Construction for the 13th Five Year Plan Period”. In June 2018, the State Council promulgated the “Opinion on Strengthening the Protection of the Ecological Environment in All Aspects and Firmly Winning the Battle of Preventing and Controlling Environmental Pollution” to accelerate the waste classification treatment and the waste resourceful utilization by striving for the development of the WTE. On 11 June 2019, nine Ministry of the Central Government of the PRC including the Ministry of Housing Urban-Rural Development, National Development and Reform Commission and Ministry of Ecological Environment issued the “Circular of the Ministry of Housing and Urban-Rural Development and other Departments on Implementing the Classification System for Municipal Solid Waste in Cities at or above the Prefecture”. The Company believes that the WTE industry will continue to have rapid development in a healthy manner for the next several years.

The Group will continue to deepen the innovation of the Group’s core business — WTE business and to promote steady technological advancement. The Group will further broaden its upstream and downstream businesses to perfect the Group’s integration map. The Group will also continue to strengthen its internal corporate governance to enhance the corporate management ability and to pursue efficiency, quality and safety in the meanwhile.

In the first half of 2019, Xinfeng WTE plant and phase 2 of Beiliu WTE plant commenced trial operation, and phase 1 of Lufeng WTE plant commenced trial operation in the third quarter of 2018. Together with the stable contribution from the existing plants, the Group recorded satisfactory results for the six months ended 30 June 2019.

## OVERALL PERFORMANCE

For the six months ended 30 June 2019, the Group’s revenue was HK\$2,004.0 million (corresponding period in 2018: HK\$1,310.8 million), representing an increase of 52.9%. Revenue from power sales and waste treatment was HK\$853.8 million (corresponding period in 2018: HK\$763.2 million), representing an increase of 11.9%. The operating profit was HK\$566.0 million (corresponding period in 2018: HK\$440.1 million). Profit attributable to equity holders of the Company was HK\$400.8 million (corresponding period in 2018: HK\$318.0 million), representing an increase of 26.0%. Basic earnings per share was HK16.3 cents (corresponding period in 2018: HK13.0 cents).



During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 2,836,859 tonnes, representing an increase of 19.8% as compared with the corresponding period in 2018. The Group generated 1,124,759,000kWh from green energy, saving 348,650 tonnes of standard coal and reducing emission of carbon dioxide by 1,907,847 tonnes.

## I. Waste-to-energy Business

### *Operating Processing Capacity*

As at 30 June 2019, the operating daily MSW processing capacity of 12 projects of the Group (including the project under management) reached 15,890 tonnes.

### *Total Processing Capacity*

As at 30 June 2019, the operating, secured, announced and under management agreement daily MSW processing capacity of our 23 projects was 34,490 tonnes. As at the date of this announcement, the operating, secured, announced and under management agreement daily MSW processing capacity of our 25 projects is 36,590 tonnes.

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

	<b>Number of projects</b>	<b>Daily MSW processing capacity (tonnes)</b>
Southern China Region	18	26,590
Western China Region	2	4,000
Eastern China Region	2	3,000
Northern China Region	2	2,200
Central China Region	1	800
	<hr/>	<hr/>
<b>Total</b>	<b>25</b>	<b>36,590</b>
	<hr/> <hr/>	<hr/> <hr/>

### *Projects*

There are 25 operating, secured, announced and managed projects in our portfolio as at the date of this announcement.

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

Location	Project(s)	Six months ended 30 June	
		2019	2018
<b>Southern China Region</b>			
<b>Guangdong Province</b>	<b>Eco-Tech I WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>327,893</b>	319,172
	<b>Power generation</b>		
	Power generated (MWh)	<b>150,356</b>	143,612
	Power sold (MWh)	<b>132,356</b>	128,548
	<b>Eco-Tech II WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>357,089</b>	337,453
	<b>Power generation</b>		
	Power generated (MWh)	<b>173,424</b>	161,026
	Power sold (MWh)	<b>157,391</b>	143,378
	<b>Kewei WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>284,629</b>	261,737
	<b>Power generation</b>		
Power generated (MWh)	<b>124,507</b>	116,723	
Power sold (MWh)	<b>110,298</b>	103,852	
<b>China Scivest I WTE plant</b>			
<b>Waste treatment</b>			
Processed MSW (tonnes)	<b>401,857</b>	356,925	
<b>Power generation</b>			
Power generated (MWh)	<b>149,511</b>	141,490	
Power sold (MWh)	<b>131,776</b>	124,691	
<b>China Scivest II WTE plant</b>			
<b>Waste treatment</b>			
Processed MSW (tonnes)	<b>283,649</b>	262,768	
<b>Power generation</b>			
Power generated (MWh)	<b>132,028</b>	130,946	
Power sold (MWh)	<b>115,267</b>	115,926	
<b>Lufeng WTE plant (Note 2)</b>			
<b>Waste treatment</b>			
Processed MSW (tonnes)	<b>197,259</b>	N/A	
<b>Power generation</b>			
Power generated (MWh)	<b>65,730</b>	N/A	
Power sold (MWh)	<b>54,965</b>	N/A	

Location	Project(s)	Six months ended 30 June	
		2019	2018
Guangdong Province	<b>Zhanjiang WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	316,987	319,679
	<b>Power generation</b>		
	Power generated (MWh)	105,885	105,743
	Power sold (MWh)	91,815	92,325
Guizhou Province	<b>Xingyi WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	203,229	178,828
	<b>Power generation</b>		
	Power generated (MWh)	67,752	57,743
	Power sold (MWh)	56,220	47,574
Guangxi Zhuang Autonomous Region	<b>Beiliu WTE plant (Note 3)</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	132,611	101,088
	<b>Power generation</b>		
	Power generated (MWh)	48,196	37,960
	Power sold (MWh)	40,380	31,871
Laibin WTE plant	<b>Waste treatment</b>		
	Processed MSW (tonnes)	222,501	230,666
	<b>Power generation</b>		
	Power generated (MWh)	73,448	72,444
	Power sold (MWh)	65,614	61,021
	Jiangxi Province	<b>Xinfeng WTE plant (Note 4)</b>	
<b>Waste treatment</b>			
Processed MSW (tonnes)		109,155	N/A
<b>Power generation</b>			
	Power generated (MWh)	33,922	N/A
	Power sold (MWh)	28,709	N/A
Total	<b>Waste treatment</b>		
	Processed MSW (tonnes)	2,836,859	2,368,316
	<b>Power generation</b>		
	Power generated (MWh)	1,124,759	967,687
	Power sold (MWh)	984,791	849,186

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

Note 3: Phase 1 and phase 2 of Beiliu WTE plant commenced trial operation in the first half of 2018 and first half of 2019, respectively.

Note 4: Xinfeng WTE plant commenced trial operation in the first half of 2019.

## *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 during the period under review.

Phase 1 of Lufeng WTE plant commenced trial operation. Phase 1 of Dianbai WTE plant, Xinyi WTE plant and Xuwen WTE plant are under construction. Qingyuan WTE plant is still under planning.

On 11 June 2019, the Group entered into an equity transfer agreement with Dongguan City Industrial New Energy Company Limited in relation to the acquisition of 49% of the equity interest of Dongguan Xindongyuan at a consideration of approximately RMB6.6 million (equivalent to HK\$7.4 million). Dongguan Xindongyuan was awarded the concession right to build and operate a WTE plant in the Resources Comprehensive Utilisation Center in Haixinsha Island, Machong Town, Dongguan City, Guangdong province. The project is in the planning stage. Please refer to the announcement of the Company dated 11 June 2019 for further details. The transaction has been completed in August 2019.

In July 2019, the Group was conditionally awarded the circular economy environmental park Phase I PPP WTE plant project located in Shaoguan City of Guangdong province. An agreement was entered into in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 17 July 2019 for further details.

### Guizhou Province

Xingyi WTE plant continued to provide contributions in the first half of 2019.

In August 2019, the Group was awarded the concession right in relation to the Qiandongnan Prefecture South Area WTE plant. A concession agreement in relation to the award was entered into in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 2 August 2019 for further details.

### Guangxi Zhuang Autonomous Region

Laibin WTE plant and phase 1 of Beiliu WTE plant provided stable contribution during the period under review. Phase 2 of Beiliu WTE plant commenced trial operation in the first half of 2019.

## *Western China Region*

### Sichuan Province

The Group indirectly holds 50% equity interest in Jianyang Canvest, which in turn holds the Jianyang WTE plant. Phase 1 of Jianyang WTE plant is under construction.

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 with a total daily MSW processing capacity of 1,200 tonnes. The agreement was lapsed as the conditions precedent of the acquisition had not been satisfied within the time period as set out in the agreement. Please refer to the announcement dated 21 March 2019 for further details.

### Yunnan Province

In May 2019, the Group was conditionally awarded the WTE plant PPP project located in Ruili City of Yunnan Province. An investment agreement was entered into in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 21 May 2019 for further details.

## *Eastern China Region*

### Shandong Province

In December 2018, the Group entered into the capital increase agreement with Zaozhuang Zhongke and its existing shareholders. Phase 1 of Zaozhuang WTE plant is under technological upgrade and phase 2 of this plant is under construction.

On 18 March 2019, the Group entered into an 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 project is in the planning stage. Please refer to the announcement of the Company dated 19 March 2019 for further details.

## *Northern China Region*

### Shanxi Province

Linfen WTE plant is in the planning stage.

## 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 completed, and it commenced trial operation in first half of 2019.

## **II. Environmental Hygiene and Related Services**

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

The Group indirectly holds 35% equity interest in Dongguan Xindongyue, which currently owns the first landfill project for fly ash in Dongguan City. During the period under review, it processed 49,048 tonnes solidified fly ash under the strict treatment requirement by the local environment authority.

The Group indirectly 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. Zhongzhou Environmental is under trial operation.

Sichuan Jiajieyuan, a renowned environmental hygiene and related services player in the PRC, continued to provide stable contributions during the period under review.

The Group holds 41% equity interest in Johnson, which indirectly holds 100% equity interest in Johnson Cleaning Services Company Limited, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong. Johnson Cleaning Services Company Limited continued to provide stable contributions during the period under review. During the period under review, the Group has provided certain guarantees to certain financial institutions in respect of leases and loan facilities to Johnson Cleaning Services Company Limited. The outstanding amount of these facilities drawn amounted to HK\$128.3 million as at 30 June 2019 (31 December 2018: HK\$9.6 million). A renewal application for the proposed listing of Johnson on the Hong Kong Stock Exchange was submitted in August 2019.

## Revenue

During the period under review, the Group's revenue reached HK\$2,004.0 million, representing an increase of 52.9% when compared with HK\$1,310.8 million in the corresponding period in 2018. Among that, revenue from power sales and waste treatment fees for the period under review reached HK\$853.8 million, representing an increase of 11.9% from the corresponding period in 2018. Increase in total revenue was mainly contributed by the construction revenue from the additional projects.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from power sales	<b>612,929</b>	<b>30.6%</b>	553,489	42.2%
Revenue from waste treatment fees	<b>240,884</b>	<b>12.0%</b>	209,679	16.0%
Construction revenue arising from BOT arrangement	<b>1,053,970</b>	<b>52.6%</b>	518,043	39.5%
Finance income arising from BOT arrangement	<b>44,143</b>	<b>2.2%</b>	29,554	2.3%
Environmental hygiene services income	<b>52,104</b>	<b>2.6%</b>	—	—
<b>Total</b>	<b><u>2,004,030</u></b>	<b><u>100.0%</u></b>	<b><u>1,310,765</u></b>	<b><u>100.0%</u></b>

The following table sets forth the breakdown of the Group's revenue by region for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Southern China Region	<b>1,852,611</b>	<b>92.4%</b>	1,240,182	94.6%
Central China Region	<b>99,315</b>	<b>5.0%</b>	70,583	5.4%
Western China Region	<b>52,104</b>	<b>2.6%</b>	—	—
<b>Total</b>	<b><u>2,004,030</u></b>	<b><u>100%</u></b>	<b><u>1,310,765</u></b>	<b><u>100.0%</u></b>

## 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 period under review, cost of sales increased by 68.3% from HK\$823.6 million in 2018 to HK\$1,385.8 million in 2019. The increase was mainly attributable to the operating costs of new plants that have commenced operation and increase in construction cost.

## Gross Profit and Gross Profit Margin

During the period under review, gross profit of the Group amounted to HK\$618.3 million, representing an increase of 26.9% as compared to HK\$487.2 million in 2018. The increase in gross profit was mainly attributable to the construction plants.

The following table sets forth the breakdown of the Group's gross profit by nature for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Power sales and waste treatment operations	<b>391,017</b>	<b>63.2%</b>	371,262	76.2%
Construction service arising from BOT arrangement	<b>175,375</b>	<b>28.4%</b>	86,342	17.7%
Finance income arising from BOT arrangement	<b>44,143</b>	<b>7.1%</b>	29,554	6.1%
Environmental hygiene services income	<b>7,733</b>	<b>1.3%</b>	—	—
Total	<b><u>618,268</u></b>	<b><u>100.0%</u></b>	<b><u>487,158</u></b>	<b><u>100.0%</u></b>

Gross profit margin of the Group decreased from 37.2% in 2018 to 30.9% in 2019. The decrease was mainly due to the profit from construction projects which has lower margin.



The following table sets forth the Group's gross profit margin by nature generated for each of the WTE plants for the six months ended 30 June 2019 and 2018:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>Gross profit margin</b>	Gross profit margin
Power sales and waste treatment operations	<b>45.8%</b>	48.7%
Construction service arising from BOT arrangement	<b>16.7%</b>	16.7%
Finance income arising from BOT arrangement	<b>100.0%</b>	100.0%
Environmental hygiene services income	<b>14.8%</b>	—
Gross profit margin of the Group	<b><u>30.9%</u></b>	<u>37.2%</u>

### **General and Administrative Expenses**

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

General administrative expenses increased by 11.4% from HK\$108.0 million in the corresponding period of 2018 to HK\$120.3 million in the current period of 2019. It was mainly due to additional plants under operation.

### **Other Income**

Other income mainly consisted of VAT refund, management income, government grants and others. Other income increased by 22.5% from HK\$62.3 million in the corresponding period of 2018 to HK\$76.3 million in the current period of 2019. It was mainly due to the additional operating plants that were entitled to have VAT refund.

### **Other Losses, Net**

During the period under review, other net losses recorded HK\$8.3 million as compared to HK\$1.4 million in 2018. The increase was mainly due to increase in foreign exchange loss.

### **Interest Expense, Net**

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income from bank deposits. Net interest expenses increased by 25.4% from HK\$83.1 million in the corresponding period of 2018 to HK\$104.2 million in the current period of 2019. The increase in interest expenses was due to the interest expenses in relation to the syndicated loan.

## **Income Tax Expenses**

Income tax expenses increased by 82.6% from HK\$41.4 million in the corresponding period of 2018 to HK\$75.6 million in the current period of 2019. It was mainly attributable to the increase in deferred income tax as a result of the increase in construction income, as well as an increase in current enterprise income tax incurred by Zhanjiang WTE plant as a result of transiting from full tax exemption in 2018 to half tax exemption in 2019 and China Scivest I WTE plant transiting from half tax exemption to full tax rate since 2019.

## **Profit Attributable to the Equity Holders of the Company**

Profit attributable to the equity holders of the Company increased by 26.0% from HK\$318.0 million in the corresponding period of 2018 to HK\$400.8 million in the current period of 2019.

## **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 period under review, the Group generated HK\$350.1 million in cash from operating projects (corresponding period in 2018: HK\$415.4 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$621.1 million (corresponding period in 2018: HK\$555.0 million). As a result, the total net cash used in operating activities amounted to HK\$271.0 million during the period under review (corresponding period of 2018: HK\$139.6 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 30 June 2019, the total cash and cash equivalents of the Group were HK\$1,068.4 million (31 December 2018: HK\$1,317.4 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 edge 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 30 June 2019 and as at the date of this announcement.

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

	Net proceeds raised <i>HK\$'000</i>	Actual use of the net proceeds			Unused balance as at 30 June 2019 <i>HK\$'000</i>	Expected timeline for the use of unused balance
		in 2017 <i>HK\$'000</i>	in 2018 <i>HK\$'000</i>	in 2019 <i>HK\$'000</i>		
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	712,610	214,960	311,207	<b>68,010</b>	118,433	Before 31 December 2019*
Working capital and other general corporate purposes	<u>305,403</u>	<u>79,101</u>	<u>226,302</u>	<u>—</u>	<u>—</u>	N/A
	<u>1,018,013</u>	<u>294,061</u>	<u>537,509</u>	<u><b>68,010</b></u>	<u>118,433</u>	

\*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.

## Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 30 June 2019, the Group's bank borrowings were HK\$4,581.2 million (31 December 2018: HK\$4,128.8 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2018: same) and all of them were at floating interest rates (31 December 2018: same).

On 31 May 2018, the Company (as borrower) entered into a common terms agreement and certain loan agreements thereunder (the "Agreements") 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 announcement, HK\$704.6 million had been utilised.

Net asset of the Group was HK\$5,555.9 million (31 December 2018: HK\$5,294.6 million). The increase in net asset was mainly attributable to the profit generated during the period under review.

The following table sets forth the analysis of the Group's borrowings as at 30 June 2019 and 31 December 2018:

	<b>As at 30 June 2019 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>
Portion of term loans due to repayment after one year		
— secured	<b>3,932,217</b>	3,616,936
Portion of term loans due for repayment within one year		
— secured	<b>568,943</b>	511,867
Revolving loan due for repayment within one year		
— unsecured	<b>80,000</b>	—
Total bank borrowings	<b><u>4,581,160</u></b>	<b><u>4,128,803</u></b>

The gearing ratio is the ratio of total liabilities divided by total assets. As at 30 June 2019, the gearing ratio was 53.9% (31 December 2018: 51.5%).

As of 30 June 2019, the Group had banking facilities in the amount of HK\$6,205.1 million, of which HK\$1,608.0 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 six months ended 30 June 2019, the total cost of borrowings of the Group was HK\$106.9 million (corresponding period in 2018: HK\$86.3 million), representing an increase of HK\$20.6 million. The increase in interest expenses was due to the interest expenses in relation to the syndicated loans. Effective interest rate ranged from 2.50% to 5.39% for the six months ended 30 June 2019 (corresponding period in 2018: 2.18% to 5.64%).

### **Foreign Exchange Risk**

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

### **Commitments**

As at 30 June 2019, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$2,424.1 million (31 December 2018: HK\$2,867.7 million) and its capital commitment contracted for but not yet provided for in the condensed consolidated interim financial information in relation to construction cost for BOT amounted to HK\$909.9 million (31 December 2018: HK\$999.5 million) and in relation to capital injection to Zaozhuang Zhongke amounted to HK\$251.8 million (31 December 2018: HK\$284.0 million) and to a joint venture amounted to HK\$56.8 million (31 December 2018: HK\$74.2 million).

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

### **Formation of Project Company**

On 18 March 2019, the Group entered into an 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 this 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 49% equity interest in Dongguan Xindongyuan**

On 11 June 2019, the Group entered into an equity transfer agreement with Dongguan City Industrial New Energy Company Limited in relation to the acquisition of 49% of the issued share capital of Dongguan Xindongyuan at a consideration of approximately RMB6.6 million (equivalent to HK\$7.4 million). Dongguan Xindongyuan was awarded the concession right to build and operate a WTE plant in Haixinsha Island, Machong Town, Dongguan City, Guangdong province. The processing capacity of the Project is 2,250 tonnes. Please refer to the announcement of the Company dated 11 June 2019 for further details. The transaction has been completed in August 2019.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the six months ended 30 June 2019.

### **Capital Expenditures**

For the six months ended 30 June 2019, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$890.9 million (corresponding period in 2018: HK\$447.5 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2019.

## **Pledge of Assets**

As at 30 June 2019, the Group pledged certain of its rights to collect revenue from power sales, waste handling services and environmental hygiene services, right-of-use assets, property, plant and equipment, and concession rights (31 December 2018: certain of its rights to collect revenue from power sales and waste handling services, prepaid operating lease payments, property, plant and equipment, and concession rights) with an aggregate carrying amount of HK\$5,133.2 million (31 December 2018: HK\$3,681.8 million) to certain banks to secure certain credit facilities granted to the Group.

## **Continuing Connected Transactions**

On 12 July 2018, the Company entered into the leasing framework agreement (“Leasing Framework Agreement”) with Yue Xing in relation to the leasing of its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive). This transaction is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules. The annual cap for the transaction for the period from 13 July 2018 to 31 December 2018 is RMB3,500,000. 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 six months ended 30 June 2019, the rent paid by the Group to Yue Xing was HK\$3,214,000 (corresponding period of 2018: HK\$1,425,000). Please refer to the announcement of the Company dated 12 July 2018 for further details.

## **Human Resources**

As at 30 June 2019, the Group employed a total of 2,570 employees, 43 of them were at management level. By geographical locations, it had 2,542 employees in the PRC and 28 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). Total remuneration costs, including Directors' remuneration, for the six months ended 30 June 2019 were HK\$155.2 million (corresponding period in 2018: HK\$111.6 million).

On 3 May 2019, the Company adopted the Share Award Scheme in which the Eligible Persons will be entitled to participate. The objectives of the Share Award Scheme are to (i) recognize the contributions of the Eligible Persons and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. A scheme rule and trust deed between the Company and Bank of Communications Trustee Limited as the Trustee have been entered into in this regard. Please refer to the announcements of the Company dated 3 May 2019 and 9 May 2019 for further details.

#### **EVENTS AFTER BALANCE SHEET DATE**

- (a) On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares at a consideration of HK\$3.7 per share, totaling HK\$37,370,000, for the purpose of the Share Award Scheme. The Shares shall constitute part of the trust fund and shall be held by the Trustee for the benefit of the Eligible Persons under the trust. No shares were granted by the Company under the Share Award Scheme up to the date of this announcement. Please refer to the announcement of the Company dated 17 July 2019 for further details.
- (b) In July 2019, the Group entered into an agreement in relation to the WTE plant public-private-partnership project located in Shaoguan City of Guangdong Province with the Shaoguan Municipal Administration Center. The total daily MSW processing capacity of this WTE plant shall be 1,050 tonnes. Please refer to the announcement of the Company dated 17 July 2019 for further details.
- (c) 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). The agreement lapsed in July 2019 as the conditions precedent of the acquisition had not been satisfied within the time period as set out in the agreement.
- (d) In August 2019, the Group entered into a service concession agreement in relation to Qiandongnan Prefecture South Area WTE Plant in Guizhou Province with the Bureau of Housing, Urban and Rural Construction of Liping County. The total daily MSW processing capacity of this WTE plant shall be 1,050 tonnes. Please refer to the announcement of the Company dated 2 August 2019 for further details.



- (e) On 21 August 2019, the Group entered into an agreement with SIIC Environment Tech (Hong Kong) Limited (“SIIC Environment Tech”) to establish a company, which will be principally engaged in the investment, construction and operation of WTE project located in Yangtze River Delta region.

The registered capital of this company shall be HK\$30,000,000, and the Group shall contribute HK\$9,000,000 in cash towards the registered capital of this company and hold 30% of the equity interest in this company. SIIC Environment Tech is a subsidiary of SIIC. SIHL is a controlling shareholder of SIIC and is a substantial Shareholder of the Company. As such, Shanghai Environment Tech is a connected person of the Company and the entering into of the agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 21 August 2019 for further details.

### **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK3.2 cents (corresponding period in 2018: HK1.9 cents) per share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Friday, 4 October 2019 to the Shareholders whose names appear on the register of members of the Company on Friday, 20 September 2019.

### **CLOSURE OF REGISTER OF MEMBERS**

The Company’s register of members will be closed from Wednesday, 18 September 2019 to Friday, 20 September 2019 (both days inclusive), during such period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30p.m. on Tuesday, 17 September 2019.

### **PUBLIC FLOAT**

Based on the information that is 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 held by the public for the six months ended 30 June 2019 and as at the date of this announcement.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2019, the Company has complied with the code provisions of the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the six months ended 30 June 2019.

## REVIEW OF INTERIM RESULTS

The audit committee comprises three independent non-executive Directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial information. There is no disagreement between the Board and the audit committee regarding the accounting treatment adopted by the Company.

The interim results for the six months ended 30 June 2019 have not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, the Group repurchased a total of 14,353,000 Shares on the Hong Kong Stock Exchange. All repurchased Shares were subsequently cancelled on 29 July 2019. Details of the share repurchases during the Period were as follows:

Months of repurchase	Number of Shares repurchased	Purchase price per Share		Aggregate price paid (including expenses) (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
May 2019 to June 2019	<u>14,353,000</u>	<u>3.69</u>	<u>3.50</u>	<u>51,804</u>

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per Share. Save as disclosed above, at no time during the period for the six months ended 30 June 2019 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's Shares.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2019 containing all the information required under the Listing Rules will be dispatched to the Company's Shareholders and will be posted on the above websites in due course.

## **BOARD OF DIRECTORS**

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

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

Hong Kong, 22 August 2019

## GLOSSARY

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
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Cash generated from operating projects*	Net cash generated from/used in operating activities for the period, excluding net operating cash used for construction of various WTE plants under BOT arrangements
China or PRC	the People’s Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited** (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 5 November 2004 and an indirect wholly-owned subsidiary of the Company
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules

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 Xindongyuan	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company established under the laws of the PRC with limited liability
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞市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
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates

Jiayang Canvest	Jiayang 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	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability
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
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
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠中田新能源有限公司), a company 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 subsequently 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
Share Award Scheme	the share award scheme of the Company adopted by the Board on 3 May 2019 in accordance with the rules relating to the said scheme as amended from time-to-time
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
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars	United States dollars, being the lawful currency of the United States of America
VAT	Value-added tax in the PRC
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
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 subsequently 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
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** (惠州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*