



粵豐環保電力有限公司

Canvest Environmental Protection Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

Capturing Immense Opportunity

Creating Sustainable

INTERIM REPORT 2019

GROWTH





# MSW PROCESSING AND WTE PROCESS

START

MSW TRANSFER STATION



MSW COLLECTION AND TRANSPORTATION



WEIGHING STATION



DISCHARGE PLATFORM



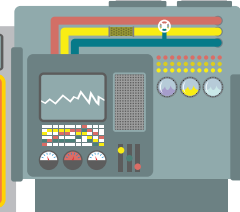
Storage Pool

Leachate

INCINERATOR



>850 °C



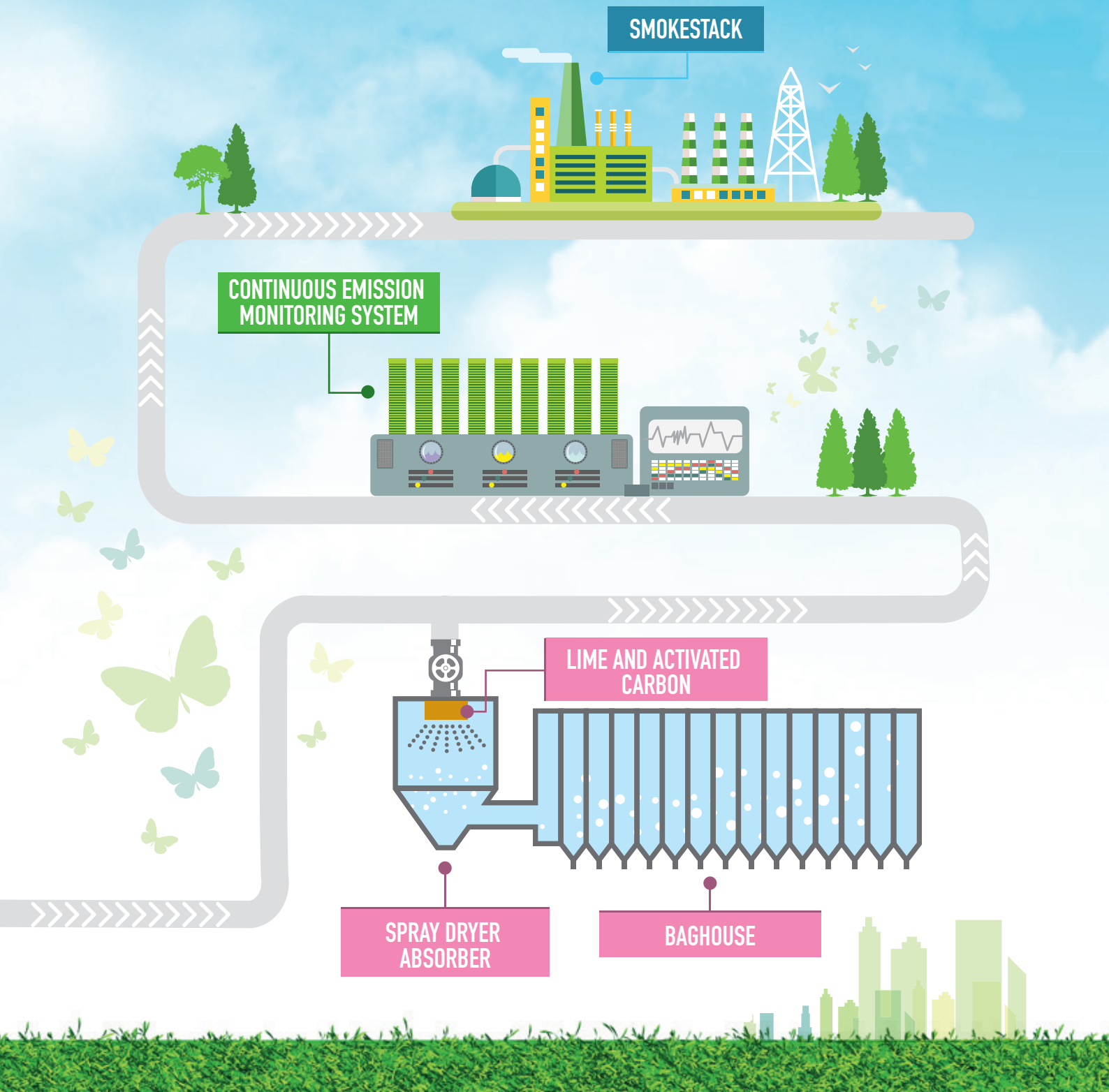
WASTEWATER TREATMENT

Bottom Ash



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# PROJECTS OVERVIEW

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

# 37,190

Tonnes

(as at 15 September 2019)



- A** cleaning and waste management services provided by Sichuan Jiajieyuan
- B** environmental hygiene service provided by Johnson Cleaning Services Company Limited
- C** fly ash landfill service provided by Dongguan Xindongyue

	Number of Projects	Daily Processing Capacity (tonnes)
Guangdong	14	21,790
Guangxi	2	2,550
Guizhou	2	2,250
Hebei	1	1,000
Jiangxi	1	800
Shandong	2	3,000
Shanxi	1	1,200
Sichuan	1	3,000
Yunnan	1	1,000
Heilongjiang	1	600
<b>Total</b>	<b>26</b>	<b>37,190</b>

PROJECTS OVERVIEW

		Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status	
Guangdong	1	Eco-Tech I WTE plant	Dongguan	1,800 tonnes	36MW	RMB110/tonne	In operation
	2	Eco-Tech II WTE plant	Dongguan	1,500 tonnes	50MW	RMB110/tonne	In operation
	3	Kewei WTE plant	Dongguan	1,800 tonnes	30MW	RMB110/tonne	In operation
	4	China Scivest I WTE plant	Dongguan	1,800 tonnes	42MW	RMB110/tonne	In operation
	5	China Scivest II WTE plant	Dongguan	1,200 tonnes	36MW	RMB110/tonne	In operation
	6	Machong WTE Plant	Dongguan	2,250 tonnes	80MW	RMB110/tonne	Planning
	7	Zhanjiang WTE plant	Zhanjiang	1,500 tonnes	30MW	RMB81.8/tonne	In operation
	8	Qingyuan WTE plant	Qingyuan	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	Planning	RMB50/tonne (Under negotiation)	Planning
	9	Zhongshan WTE plant	Zhongshan	1,040 tonnes	24MW	Construction and Operation under Management Agreement	In operation
	10	Lufeng WTE plant	Lufeng	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	RMB91.5/tonne	Phase 1: In operation Phase 2: Planning
	11	Xinyi WTE plant	Xinyi	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB79/tonne	Under construction
	12	Xuwen WTE plant	Xuwen	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	RMB80.5/tonne	Phase 1: Under construction Phase 2: Under construction
	13	Dianbai WTE plant	Maoming	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: 25MW	RMB89.5/tonne	Phase 1: Under construction Phase 2: Planning
	14	Shaoguan WTE Plant	Shaoguan	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB88.88/tonne	Planning
Guangxi	15	Laibin WTE plant	Laibin	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	RMB95/tonne	Phase 1: In operation Phase 2: Planning
	16	Beiliu WTE plant	Beiliu	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB83/tonne (Calculated on weighted average basis)	In operation
Guizhou	17	Xingyi WTE plant	Xingyi	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB80/tonne	In operation
	18	Qiandongnan Prefecture South Area WTE Plant	Liping	Phase 1: 700 tonnes Phase 2: 350 tonnes	Planning	RMB66.8/tonne	Planning
Hebei	19	Mancheng WTE plant	Mancheng	Phase 1: 500 tonnes Phase 2: 500 tonnes	Planning	RMB76.8/tonne	Planning
Jiangxi	20	Xinfeng WTE plant	Xinfeng	Phase 1: 400 tonnes Phase 2: 400 tonnes	15MW	RMB70/tonne	In operation
Shanxi	21	Linfen WTE plant	Linfen	Phase 1: 800 tonnes Phase 2: 400 tonnes	Planning	RMB73/tonne	Planning
Shandong	22	Zaozhuang WTE plant	Zaozhuang	Phase 1: 1,000 tonnes Phase 2: 800 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB49/tonne	Phase 1: Under technological upgrade Phase 2: Under construction
	23	Shen County WTE plant	Shen County, Liaocheng City	Phase 1: 700 tonnes Phase 2: 500 tonnes	Planning	RMB70/tonne	Planning
Sichuan	24	Jiayang WTE plant	Jiayang	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	RMB65.95/tonne	Phase 1: Under construction Phase 2: Planning
Yunnan	25	Ruili WTE Plant	Ruili	Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 12MW Phase 2: Planning	RMB75/tonne	Planning
Heilongjiang	26	Wuchang WTE plant	Wuchang	600 tonnes	12MW	RMB59/tonne	Planning

## FINANCIAL HIGHLIGHTS

### Revenue

(for the six months ended 30 June)

HK\$'000



### Profit attributable to equity holders of the Company

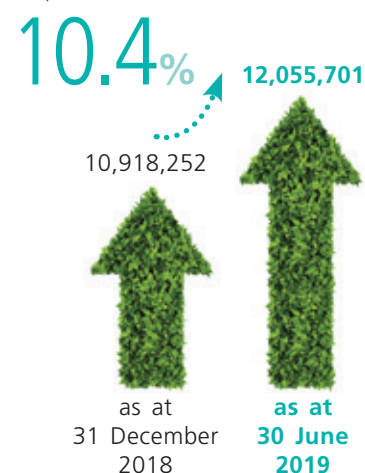
(for the six months ended 30 June)

HK\$'000



### Total assets

HK\$'000



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

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

## CONSOLIDATED BALANCE SHEET HIGHLIGHTS

	As at 30 June 2019	As at 31 December 2018	Change
	Total assets (HK\$'000)	12,055,701	
Total liabilities (HK\$'000)	6,499,818	5,623,695	+15.6%
Included: Total bank borrowings (HK\$'000)	4,581,160	4,128,803	+11.0%
Equity attributable to equity holders of the Company (HK\$'000)	5,555,279	5,293,447	+4.9%
Total liabilities/total assets	53.9%	51.5%	+2.4 pts

## CORPORATE MILESTONES

### Q1 2019

- Xinfeng WTE plant and phase 2 of Beiliu WTE plant commenced trial operation
- awarded the concession right in relation to Mancheng WTE plant
- entered into an agreement with Shanghai Fudan and two Independent Third Parties to establish a project company, which will be principally engaged in the investment, construction and operation of a WTE project located in Shen County, Shandong Province

### Q2 2019

- awarded the concession right in relation to Ruili WTE plant
- 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 project in Machong Town, Dongguan City, Guangdong Province, with a total daily MSW processing capacity of 2,250 tonnes

### Q3 2019

- Published the first stand-alone sustainability report
- entered into a PPP agreement in relation to Shaoguan WTE project
- awarded the service concession right in relation to Qiandongnan Prefecture South Area WTE Plant
- 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
- Eco-Tech I & II WTE Plants and Zhongshan WTE Plant were recognised as "Grade AAA Innocuous Waste Incineration Plant"
- awarded the service concession right in relation to Wuchang WTE Plant

# CHAIRLADY'S STATEMENT







**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**



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 interim report, the Group has secured 26 WTE projects, with 12 projects in operation, and the remaining 14 projects are progressing as planned. The total operating, secured, announced and managed daily MSW processing capacity amounted to 37,190 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

# 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<sup>(1)</sup>.

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.

## 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 interim report, the operating, secured, announced and under management agreement daily MSW processing capacity of our 26 projects is 37,190 tonnes.

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

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	18	26,590
Western China Region	2	4,000
Eastern China Region	2	3,000
Northern China and Northeast China Regions	3	2,800
Central China Region	1	800
<b>Total</b>	<b>26</b>	<b>37,190</b>

### *Projects*

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

The following table sets 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	

Location	Project(s)	Six months ended 30 June	
		2019	2018
Guangdong Province	<b>Lufeng WTE plant</b> (Note 2)		
	<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
Guangdong Province	<b>Zhanjiang WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>316,987</b>	319,679
	<b>Power generation</b>		
	Power generated (MWh)	<b>105,885</b>	105,743
	Power sold (MWh)	<b>91,815</b>	92,325
Guizhou Province	<b>Xingyi WTE plant</b>		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>203,229</b>	178,828
	<b>Power generation</b>		
Power generated (MWh)	<b>67,752</b>	57,743	
Power sold (MWh)	<b>56,220</b>	47,574	
Guangxi Zhuang Autonomous Region	<b>Beiliu WTE plant</b> (Note 3)		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>132,611</b>	101,088
	<b>Power generation</b>		
	Power generated (MWh)	<b>48,196</b>	37,960
	Power sold (MWh)	<b>40,380</b>	31,871
	<b>Laibin WTE plant</b>		
	<b>Waste treatment</b>		
Processed MSW (tonnes)	<b>222,501</b>	230,666	
<b>Power generation</b>			
Power generated (MWh)	<b>73,448</b>	72,444	
Power sold (MWh)	<b>65,614</b>	61,021	



Location	Project(s)	Six months ended 30 June	
		2019	2018
Jiangxi Province	<b>Xinfeng WTE plant</b> (Note 4)		
	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>109,155</b>	N/A
	<b>Power generation</b>		
	Power generated (MWh)	<b>33,922</b>	N/A
	Power sold (MWh)	<b>28,709</b>	N/A
Total	<b>Waste treatment</b>		
	Processed MSW (tonnes)	<b>2,836,859</b>	2,368,316
	<b>Power generation</b>		
	Power generated (MWh)	<b>1,124,759</b>	967,687
	Power sold (MWh)	<b>984,791</b>	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 was 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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	
	HK\$'000	%	HK\$'000	%
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>2,004,030</b>	<b>100.0%</b>	1,310,765	100.0%

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	
	HK\$'000	%	HK\$'000	%
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>2,004,030</b>	<b>100%</b>	1,310,765	100.0%

### COST OF SALES

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

During the 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	
	HK\$'000	%	HK\$'000	%
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>	—	—
<b>Total</b>	<b>618,268</b>	<b>100.0%</b>	487,158	100.0%

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:

	Six months ended 30 June	
	2019	2018
	Gross profit margin	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>	—
<b>Gross profit margin of the Group</b>	<b>30.9%</b>	37.2%

## 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 and 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 interim report.

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

	Net proceeds raised HK\$'000	Actual use of the net proceeds			Unused balance as at 30 June 2019 HK\$'000	Expected timeline for the use of unused balance
		in 2017 HK\$'000	in 2018 HK\$'000	in 2019 HK\$'000		
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	305,403	79,101	226,302	—	—	N/A
	<b>1,018,013</b>	<b>294,061</b>	<b>537,509</b>	<b>68,010</b>	<b>118,433</b>	

\*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).

## MANAGEMENT DISCUSSION AND ANALYSIS

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 interim report, 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>	—
<b>Total bank borrowings</b>	<b>4,581,160</b>	4,128,803

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 (including the Loans) 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 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% 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 Haixinsha Island, Machong Town, Dongguan City, Guangdong province. The daily MSW 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 interim report. 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) From 8 August 2019 to 14 August 2019, Canvest Yuezhan Environmental, an indirect wholly owned subsidiary of the Company, acquired 70.63% equity interest in Shanghai Shengong and 6.25% equity interest from 30 independent third parties at a total consideration of RMB65,502,000 (equivalent to HK\$72,517,000). The purpose of the acquisition is to fulfill one of the conditions precedents of another investment project in the PRC.
- (f) 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, SIIC 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.

- (g) In September 2019, the Group entered into an agreement in relation to the WTE plant located in Wuchang City, Harbin City, Heilongjiang Province with the Urban Management and Law Enforcement Bureau of Wuchang City. The total daily MSW processing capacity of this WTE plant shall be 600 tonnes. Please refer to the announcement of the Company dated 10 September 2019 for further details.

### **CHANGES SINCE 31 DECEMBER 2018**

Saved as disclosed above, there were no other significant changes in the Group's financial position or information as disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2018.

### **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.

### **UPDATE ON CHINA SCIVEST WTE PLANT**

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the six months ended 30 June 2019, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this interim report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

# CORPORATE GOVERNANCE

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

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

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

Major identified risks and uncertainties faced by the Group are set out in detail in the 2018 annual report of the Company.

## 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 month period ended 30 June 2019.

## THE COMMITTEES OF THE BOARD

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

## AUDIT COMMITTEE

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

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

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

During the six months ended 30 June 2019, the audit committee has held one meeting and performed the following major works:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2018, the related accounting principles and practices adopted by the Group and internal controls related matters; and recommendation of the re-appointment of the external auditor.

The audit committee has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 in conjunction with external auditor. Based on the review and discussion with the management, the audit committee was satisfied that the unaudited condensed consolidated interim financial information were prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2019. The external auditor attended the above meeting to discuss with the audit committee on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the audit committee regarding the appointment of external auditor or the accounting treatment adopted by the Company.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 and reviewed, in the presence of the management of the Group, the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

## REMUNERATION COMMITTEE

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

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

During the six months ended 30 June 2019, the remuneration committee has held one meeting to perform the following major works:

- Performance evaluation of Directors and management team; and
- General review and discussion of the remuneration packages of Directors and management team.

## **NOMINATION COMMITTEE**

The members of nomination committee comprise Mr. Chung Wing Yin, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason and is chaired by Mr. Chung Wing Yin.

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

During the six months ended 30 June 2019, the nomination committee has held one meeting to perform the following major works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Recommendation of the re-election of the retiring directors standing for re-election at the Company's annual general meeting held on 13 June 2019; and
- Assessment of the independence of all the Company's independent non-executive directors.

## **CORPORATE GOVERNANCE COMMITTEE**

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

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

During the six months ended 30 June 2019, the corporate governance committee has held one meeting and performed the following major works:

- Review and assessment of the continuous professional development of Directors and senior management;
- Review of Company's policies and practices on corporate governance; and
- Review of Company's compliance with Appendix 14 to the Listing Rules.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

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

### Introduction

We have reviewed the interim financial information set out on pages 31 to 66, which comprises the interim condensed consolidated balance sheet of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### PricewaterhouseCoopers

*Certified Public Accountants*

Hong Kong, 22 August 2019

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# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	6	2,004,030	1,310,765
Cost of sales	7	(1,385,762)	(823,607)
<b>Gross profit</b>		<b>618,268</b>	487,158
General and administrative expenses	7	(120,256)	(107,997)
Other income	8	76,280	62,320
Other losses, net	9	(8,292)	(1,425)
<b>Operating profit</b>		<b>566,000</b>	440,056
Interest income	10	2,718	3,154
Interest expense	10	(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	11	(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)	—
		400,260	317,986
<b>Earnings per share</b>			
— basic (expressed in HK cents per share)	12(a)	16.3	13.0
— diluted (expressed in HK cents per share)	12(b)	16.3	13.0

The notes on pages 39 to 66 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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	(20,703)	(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	(20,703)	(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	380,063	270,205
Non-controlling interests	(506)	—
	<b>379,557</b>	270,205

The notes on pages 39 to 66 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	14	—	136,324
Property, plant and equipment	15	1,336,552	1,391,567
Intangible assets	16	5,767,610	4,962,118
Investments in associates and a joint venture		467,234	437,328
Long-term deposits and prepayments	17	851,036	630,684
Receivables under service concession arrangements	18	1,444,100	1,339,602
Right-of-use assets	19	146,763	—
		<b>10,013,295</b>	8,897,623
<b>Current assets</b>			
Inventories		7,007	5,725
Receivables under service concession arrangements	18	106,169	101,050
Trade and bills receivables	17	388,006	260,323
Other receivables, deposits and prepayments	17	456,592	329,151
Restricted deposits	20	16,198	6,949
Cash and cash equivalents		1,068,434	1,317,431
		<b>2,042,406</b>	2,020,629
<b>Total assets</b>		<b>12,055,701</b>	10,918,252
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	21	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>	5,293,447
Non-controlling interests		604	1,110
<b>Total equity</b>		<b>5,555,883</b>	5,294,557

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	22	167,004	172,238
Lease liabilities	23	4,506	—
Deferred government grants	24	96,966	99,761
Other non-current liabilities		4,784	4,350
Deferred income tax liabilities		426,573	392,074
Bank borrowings	25	3,932,217	3,616,936
		<b>4,632,050</b>	4,285,359
<b>Current liabilities</b>			
Trade and other payables	22	1,169,287	796,012
Lease liabilities	23	6,651	—
Deferred government grants	24	4,803	4,822
Current income tax liabilities		38,084	25,635
Bank borrowings	25	648,943	511,867
		<b>1,867,768</b>	1,338,336
<b>Total liabilities</b>		<b>6,499,818</b>	5,623,695
<b>Total equity and liabilities</b>		<b>12,055,701</b>	10,918,252
<b>Net current assets</b>		<b>174,638</b>	682,293
<b>Total assets less current liabilities</b>		<b>10,187,933</b>	9,579,916

The notes on pages 39 to 66 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	(Unaudited)											
	Attributable to equity holders of the Company											Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Other reserves HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Sub-Total HK\$'000	Non-controlling interest HK\$'000	
<b>Balance at 1 January 2019, as originally presented</b>	24,549	2,695,700	—	704,944	200,018	(176,369)	5,834	(240,200)	2,078,971	5,293,447	1,110	5,294,557
Change in accounting policy (Note 3(a))	—	—	—	—	—	—	—	—	(144)	(144)	—	(144)
<b>Restated total equity as at 1 January 2019</b>	24,549	2,695,700	—	704,944	200,018	(176,369)	5,834	(240,200)	2,078,827	5,293,303	1,110	5,294,413
<b>Comprehensive income</b>												
Profit for the period	—	—	—	—	—	—	—	—	400,771	400,771	(511)	400,260
<b>Other comprehensive loss</b>												
Currency translation differences	—	—	—	—	—	—	—	(20,708)	—	(20,708)	5	(20,703)
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	—	(20,708)	400,771	380,063	(506)	379,557
Appropriation of statutory reserve	—	—	—	—	28,871	—	—	—	(28,871)	—	—	—
Dividend approved in respect of the previous year (Note 13)	—	—	—	—	—	—	—	—	(66,283)	(66,283)	—	(66,283)
Buy-back of ordinary shares (Note 21(b))	—	—	(51,804)	—	—	—	—	—	—	(51,804)	—	(51,804)
<b>Balance at 30 June 2019</b>	24,549	2,695,700	(51,804)	704,944	228,889	(176,369)	5,834	(260,908)	2,384,444	5,555,279	604	5,555,883
<b>Representing:</b>												
2019 declared interim dividend (Note 13)									78,099			
Other retained earnings									2,306,345			
									2,384,444			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	(Unaudited)								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Statutory reserve	Other reserves	Share option reserve	Exchange reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2018</b>	24,553	2,697,306	704,944	146,275	(140,489)	5,834	(22,225)	1,474,108	4,890,306
<b>Comprehensive income</b>									
Profit for the period	—	—	—	—	—	—	—	317,986	317,986
<b>Other comprehensive loss</b>									
Currency translation differences	—	—	—	—	—	—	(47,763)	—	(47,763)
Share of other comprehensive loss of associate accounted for using the equity method	—	—	—	—	(18)	—	—	—	(18)
<b>Total comprehensive income for the period</b>	—	—	—	—	(18)	—	(47,763)	317,986	270,205
Appropriation of statutory reserve	—	—	—	31,298	—	—	—	(31,298)	—
Dividend approved in respect of the previous year	—	—	—	—	—	—	—	(49,107)	(49,107)
Acquisition of non-controlling interest	—	—	—	—	(35,880)	—	—	—	(35,880)
<b>Balance at 30 June 2018</b>	24,553	2,697,306	704,944	177,573	(176,387)	5,834	(69,988)	1,711,689	5,075,524
<b>Representing:</b>									
2018 declared interim dividend (Note 13)								46,651	
Other retained earnings								1,665,038	
								1,711,689	

The notes on pages 39 to 66 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	475,864	359,428
Adjustment for:		
Construction revenue arising from build-operate-transfer ("BOT") arrangement	(1,053,970)	(518,043)
Finance income arising from BOT arrangement	(44,143)	(29,554)
Share of net profits of associates and a joint venture	(14,059)	(2,515)
Depreciation of property, plant and equipment	62,862	62,004
Amortisation of intangible assets	100,653	74,797
Amortisation of right-of-use assets	5,137	—
Amortisation of land use rights	—	1,899
Interest income	(2,718)	(3,154)
Interest expense	106,913	86,297
Exchange differences	8,402	1,283
(Gain)/loss on disposals of property, plant and equipment	(110)	142
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)		
— Non-current prepayments	(59,692)	102,093
— Inventories	(1,547)	(3,104)
— Trade and bills receivables, other receivables and receivables under service concession arrangements	(232,401)	(148,926)
— Trade and other payables	399,541	(101,323)
Net cash used in operations	(249,268)	(118,676)
Income tax paid	(21,775)	(20,914)
Net cash used in operating activities	(271,043)	(139,590)
<b>Cash flows from investing activities</b>		
Deposits and advances paid for investments	(184,056)	(136,534)
Payments for purchase of property, plant and equipment	(45,737)	(49,334)
Proceeds from disposals of property, plant and equipment	118	144
(Increase)/decrease in restricted deposits	(9,454)	8,442
Acquisition of subsidiaries	(34,445)	(151,853)
Acquisition of associates	—	(264,305)
Capital injection to a joint venture	(17,379)	—
Interest received	2,718	3,154
Net cash used in investing activities	(288,235)	(590,286)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	810,592	833,371
Repayments of bank borrowings	(341,044)	(217,820)
Interest paid	(104,107)	(88,398)
Lease payments	(3,221)	—
Acquisition of non-controlling interest	—	(5,931)
Repayment of ex-shareholders' loans of a subsidiary	—	52,830
Payments for shares bought back	(51,804)	—
Net cash generated from financing activities	310,416	574,052
<b>Net decrease in cash and cash equivalents</b>	(248,862)	(155,824)
Cash and cash equivalents at beginning of period	1,317,431	1,347,803
Currency translation differences	(135)	(8,166)
<b>Cash and cash equivalents at end of period</b>	<b>1,068,434</b>	<b>1,183,813</b>

The notes on pages 39 to 66 form an integral part of this condensed consolidated interim financial information.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Canvest Environmental Protection Group Company Limited (the "Company") was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Law, (Cap. 22, Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are engaged in the provision of environmental hygiene and related services and operation and management of waste-to-energy ("WTE") plants.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 22 August 2019.

This condensed consolidated interim financial information has not been audited.

## 2 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 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 (equivalent to HK\$119,364,000), and the Group shall contribute RMB21,000,000 (equivalent to HK\$23,873,000) 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 (equivalent to HK\$1,194,000) in cash to the project company in July 2019.

## 2 BASIS OF PREPARATION (Continued)

### Significant events and transactions (Continued)

#### **(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 was 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 Board of the Company shall not make further award of awarded shares which will result in the nominal value of awarded shares under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

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

### 3 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.

### 3 ACCOUNTING POLICIES (Continued)

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

##### (i) Adjustments recognised on adoption of HKFRS 16 (Continued)

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:

	As at 31 December 2018 As originally presented HK\$'000	Adjustments on adoption of HKFRS 16 HK\$'000	As at 1 January 2019 As restated HK\$'000
<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

### 3 ACCOUNTING POLICIES (Continued)

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

##### (i) Adjustments recognised on adoption of HKFRS 16 (Continued)

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:

	Unaudited HK\$'000
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.

### 3 ACCOUNTING POLICIES (Continued)

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

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

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. The adoption of HKFRS 16 has no material impact on the earnings per share for the six months ended 30 June 2019.

### 4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

### 5.2 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net cash used in operating activities for the six months ended 30 June 2019 is approximately HK\$271,043,000 (six months ended 30 June 2018: HK\$139,590,000), including net operating cash used in relation to the construction of the WTE plants under BOT arrangements of approximately HK\$621,102,000 (six months ended 30 June 2018: HK\$554,983,000). Excluding the operating cash outflow in relation to the construction of the WTE plants under BOT arrangements, the Group generated operating cash of approximately HK\$350,059,000 (six months ended 30 June 2018: HK\$415,393,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

As a result of adoption of HKFRS 16, the Group's "lease liabilities" balance amounted to HK\$14,378,000 and HK\$11,157,000 as at 1 January 2019 and 30 June 2019, respectively. The tables below analyse the Group's contractual maturities for its non-derivative financial liabilities (excluding statutory liabilities) as at 30 June 2019 and 31 December 2018. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but within 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
<b>As at 30 June 2019 (Unaudited)</b>					
Bank borrowings (including interest)	853,957	889,433	2,323,666	1,357,853	5,424,909
Lease liabilities	6,997	6,414	—	—	13,411
Trade and other payables	1,070,438	167,004	—	—	1,237,442
	<b>1,931,392</b>	<b>1,062,851</b>	<b>2,323,666</b>	<b>1,357,853</b>	<b>6,675,762</b>
<b>As at 31 December 2018 (Audited)</b>					
Bank borrowings (including interest)	690,329	784,469	2,269,864	1,116,413	4,861,075
Trade and other payables	681,085	172,238	—	—	853,323
	<b>1,371,414</b>	<b>956,707</b>	<b>2,269,864</b>	<b>1,116,413</b>	<b>5,714,398</b>

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 5.3 Interest rate risk

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

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

During the six months ended 30 June 2019, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and retained earnings would have been approximately HK\$42,571,000 (six months ended 30 June 2018: HK\$33,639,000) lower/higher as a result of higher/lower interest expense on bank borrowings. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to cash flow interest rate risk for bank borrowings in existence at the balance sheet date.

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

### 5.4 Capital risk management

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

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

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



## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 5.4 Capital risk management (Continued)

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the interim condensed consolidated balance sheet, plus net debt. The net debt to total capital ratios at 30 June 2019 and 31 December 2018 were as follows:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Bank borrowings (Note 25)	4,581,160	4,128,803
Less: cash and cash equivalents	(1,068,434)	(1,317,431)
Net debt	3,512,726	2,811,372
Total equity	5,555,883	5,294,557
Total capital	9,068,609	8,105,929
Net debt to total capital ratio	39%	35%

As at 30 June 2019, bank borrowings of HK\$2,058,086,000 (as at 31 December 2018: HK\$2,054,608,000) are subjected to the fulfilment of covenants relating to certain financial ratios. If the Group were to breach the covenants, bank borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants.

### 5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Receivables under service concession arrangements
- Trade and bills receivables
- Deposits and other receivables
- Restricted deposits
- Cash and cash equivalents
- Trade and other payables
- Bank borrowings
- Lease liabilities

## 6 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> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Unaudited) 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 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>2,004,030</b>	1,310,765

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.

## 7 EXPENSES BY NATURE

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

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

\* 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.

## 8 OTHER INCOME

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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
	<b>76,280</b>	<b>62,320</b>

**8 OTHER INCOME** (Continued)

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.

**9 OTHER LOSSES, NET**

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

**10 INTEREST INCOME AND EXPENSE**

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

**11 INCOME TAX EXPENSE**

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

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.

## 11 INCOME TAX EXPENSE (Continued)

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%
Xinfeng Canvest Environmental Power Company Limited (formerly known as "Jiangxi Xinfeng Kunyue Environmental Power Company Limited")	0%	25%

## 12 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.

**12 EARNINGS PER SHARE** (Continued)**(b) Diluted** (Continued)

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 (HK\$'000)	317,986
Weighted average number of ordinary shares in issue (thousand shares)	2,455,332
Adjustments for share options (thousand shares)	18
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	2,455,350
Diluted earnings per share (HK cents)	13.0

**13 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.



## 14 LAND USE RIGHTS

	HK\$'000
<b>For the six months ended 30 June 2019 (Unaudited)</b>	
Opening net book amount at 1 January 2019, as originally presented	<b>136,324</b>
Change in accounting policy (Note 3(a))	<b>(136,324)</b>
Restated opening net book amount at 1 January 2019 and closing net book amount at 30 June 2019	—
<b>For the six months ended 30 June 2018 (Unaudited)</b>	
Opening net book amount at 1 January 2018	146,592
Amortisation (Note 7)	(1,899)
Currency translation differences	(1,184)
Closing net book amount at 30 June 2018	143,509

## 15 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
<b>For the six months ended 30 June 2019 (Unaudited)</b>	
Opening net book amount at 1 January 2019	<b>1,391,567</b>
Additions	<b>12,309</b>
Disposals	<b>(8)</b>
Depreciation (Note 7)	<b>(62,862)</b>
Currency translation differences	<b>(4,454)</b>
Closing net book amount at 30 June 2019	<b>1,336,552</b>
<b>For the six months ended 30 June 2018 (Unaudited)</b>	
Opening net book amount at 1 January 2018	1,519,135
Additions	15,750
Acquisition of subsidiaries	352
Disposals	(286)
Depreciation (Note 7)	(62,004)
Currency translation differences	(9,657)
Closing net book amount at 30 June 2018	1,463,290

## 16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Concession rights HK\$'000	Contract backlog HK\$'000	Brand name HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2019 (Unaudited)</b>					
Opening net book amount at 1 January 2019	209,913	4,723,673	11,185	17,347	4,962,118
Additions for BOT arrangements	—	941,114	—	—	941,114
Amortisation (Note 7)	—	(97,362)	(2,704)	(587)	(100,653)
Currency translation differences	(829)	(34,091)	(17)	(32)	(34,969)
Closing net book amount at 30 June 2019	209,084	5,533,334	8,464	16,728	5,767,610
<b>For the six months ended 30 June 2018 (Unaudited)</b>					
Opening net book amount at 1 January 2018	170,136	3,713,312	—	—	3,883,448
Acquisition of subsidiaries	—	98,232	—	—	98,232
Additions for BOT arrangements	—	374,889	—	—	374,889
Amortisation (Note 7)	—	(74,797)	—	—	(74,797)
Currency translation differences	(1,451)	(46,528)	—	—	(47,979)
Closing net book amount at 30 June 2018	168,685	4,065,108	—	—	4,233,793

## 17 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
	<b>851,036</b>	630,684
<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
	<b>844,598</b>	589,474
	<b>1,695,634</b>	1,220,158

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 8) 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.

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

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
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
	<b>327,998</b>	236,714
Unbilled receivables (Note)	57,109	23,130
	<b>385,107</b>	259,844

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.

## 18 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage WTE projects in the PRC for specific periods. The following is the summarised information of the financial asset component (receivables under service concession arrangements) with the respect to the Group's service concession arrangements:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Receivables under service concession arrangements		
— Non-current asset	1,444,100	1,339,602
— Current asset	106,169	101,050
	<b>1,550,269</b>	1,440,652

The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. All of these financial assets are considered to have low risk of default as the counterparties are government authorities and able to meet its contractual cash flow obligations. Therefore, the expected credit loss is considered to be minimal.

## 19 RIGHT-OF-USE ASSETS

	Land use right HK\$'000	Office premises HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2019 (Unaudited)</b>			
Opening net book amount at 1 January 2019, as originally presented	—	—	—
Change in accounting policy (Note 3(a))	<b>136,324</b>	<b>16,079</b>	<b>152,403</b>
Restated opening net book amount at 1 January 2019	<b>136,324</b>	<b>16,079</b>	<b>152,403</b>
Amortisation (Note 7)	<b>(1,811)</b>	<b>(3,326)</b>	<b>(5,137)</b>
Currency translation differences	<b>(503)</b>	—	<b>(503)</b>
Closing net book amount at 30 June 2019	<b>134,010</b>	<b>12,753</b>	<b>146,763</b>

## 20 RESTRICTED DEPOSITS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Restricted deposits, denominated in RMB	<b>16,198</b>	6,949

As at 30 June 2019, restricted deposits represent deposits pledged for BOT service concession arrangements in relation to various WTE plants in the PRC. The effective interest rate on restricted bank deposits is 0.3%–2.07% per annum (2018: same).

## 21 SHARE CAPITAL AND RESERVES

### (a) Share capital

	Number of shares	Total HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 31 December 2018, 1 January 2019 and 30 June 2019	5,000,000,000	50,000
<b>Issued and fully paid:</b>		
At 31 December 2018, 1 January 2019 and 30 June 2019	2,454,932,169	24,549

### (b) Treasury shares

During the six months ended 30 June 2019, the Company bought back its own shares through The Stock Exchange as follows:

Month of buy-back	Number of shares bought back	Price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
May 2019	5,618,000	3.65	3.52	20,142
June 2019	8,735,000	3.69	3.50	31,316
	<b>14,353,000</b>			<b>51,458</b>
Total expenses on shares bought back				346
Treasury shares as at 30 June 2019				<b>51,804</b>

The shares buy-back was governed by Companies Law of the Cayman Islands and Company's articles of association. All the shares bought back were subsequently cancelled on 29 July 2019, and the issued and fully paid share capital changed to 2,440,579,169 ordinary shares amounted to HK\$24,406,000.

## 21 SHARE CAPITAL AND RESERVES (Continued)

### (c) Share options

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

—	Number of share options granted	3,000,000
—	Exercise price	HK\$4.39 per share
—	Weighted average fair value	HK\$1.9445 per share

No share option granted was exercised or lapsed during the six months ended 30 June 2019.

### (d) Share award scheme

On 3 May 2019, the Company adopted the Share Award Scheme to recognise the contributions by 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 the Company, the Share Award Scheme is valid and effective for 10 years from the Adoption Date.

No shares were granted by the Company under the Share Award Scheme from the Adoption Date to the date of approval for issue of the condensed consolidated interim financial information.

## 22 TRADE AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<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 13)	66,283	—
Accruals and other payables (Note (a))	924,588	597,282
	<b>1,169,287</b>	796,012
	<b>1,336,291</b>	968,250

## 22 TRADE AND OTHER PAYABLES (Continued)

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:

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

## 23 LEASE LIABILITIES

	As at 30 June 2019 (Unaudited) HK\$'000
Lease liabilities	11,157
Less: Amount included under current liabilities	(6,651)
Amount included under non-current liabilities	<b>4,506</b>

During the six months ended 30 June 2019, total cash outflow for leases was included in the interim condensed consolidated statement of cash flows in (a) interest paid under "financing activities" of HK\$277,000, (b) payment for short-term and low-value assets leases of HK\$4,298,000 under "operating activities", and (c) principal elements of lease payments of HK\$3,221,000 under "financing activities".



**24 DEFERRED GOVERNMENT GRANTS**

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Deferred government grants	<b>101,769</b>	104,583
Less: Amount included under current liabilities	<b>(4,803)</b>	(4,822)
Amount included under non-current liabilities	<b>96,966</b>	99,761

The government grants was recognised as deferred income when received and amortised through profit or loss on a systematic basis over the concession period of the WTE projects.

**25 BANK BORROWINGS**

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Bank borrowings, secured	<b>4,501,160</b>	4,128,803
Less: Amount included under non-current liabilities	<b>(3,932,217)</b>	(3,616,936)
Amount included under current liabilities	<b>568,943</b>	511,867
Unsecured bank borrowings included under current liabilities	<b>80,000</b>	—
Total amounts under current liabilities	<b>648,943</b>	511,867

As at 30 June 2019, bank borrowings are secured by rights to collect revenue from power sales, waste handling services and environmental hygiene services, right-of-use assets, property, plant and equipment, concession rights and corporate guarantees (as at 31 December 2018: rights to collect revenue from power sales and waste handling services, prepaid operating lease payments, property, plant and equipment, concession rights and corporate guarantees).

## 26 COMMITMENTS

### (a) Capital commitments

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>Authorised but not contracted to:</b>		
Construction cost for BOT	2,424,110	2,867,718
<b>Contracted but not provided for:</b>		
Construction cost for BOT	909,947	999,470
Acquisition of subsidiaries	15,915	15,978
Capital injection (note)	251,800	283,956
	<b>1,177,662</b>	<b>1,299,404</b>

Note: On 12 December 2018, the Group has entered into the capital increase agreement with Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") and its existing shareholders. Zaozhuang Zhongke currently operates a WTE plant under a BOT concession right in Zaozhuang City, Shandong Province. Pursuant to this capital increase agreement, the Group has agreed to inject RMB258,801,000 (equivalent to approximately HK\$294,204,000) in cash to the enlarged registered share capital of Zaozhuang Zhongke. Upon completion of the injection, the equity interests in Zaozhuang Zhongke will be owned as to 51% by the Group and 49% by the existing shareholders. As such, Zaozhuang Zhongke will become an indirect non-wholly owned subsidiary of the Company. As at 30 June 2019, the Group has prepaid approximately HK\$42,404,000 to Zaozhuang Zhongke.

### (b) Commitments in respect of associates and a joint venture

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>Associates</b>		
Capital contribution to an associate	23,873	—
Acquisition of an associate	7,446	—
<b>Joint venture</b>		
Capital contribution to a joint venture	56,840	74,185

## 27 FINANCIAL GUARANTEES

As at 30 June 2019, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 25) amounting to HK\$3,370,169,000 (31 December 2018: HK\$2,925,080,000).

As at 30 June 2019, the Company and an indirect wholly-owned subsidiary of the Company issued corporate guarantees to certain financial institutions in respect of leases and loan facilities granted to an associate. The directors do not consider it probable that a claim will be made against the Group under these guarantees. The maximum liability of the Group under these guarantees is the outstanding amount of the facilities drawn amounted to HK\$128,276,000 as at 30 June 2019 (31 December 2018: HK\$9,550,000). These guarantees will be released when earlier of (i) the successful listing of the associate on the Stock Exchange; or (ii) the repayment of leases and loan by an associate.

As at 30 June 2019, the fair value of the corporate guarantees provided by the Group is not material.

## 28 RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

- (i) During the six months ended 30 June 2019, the Group paid rental and related expenses, based on terms that were mutually agreed by both parties, of HK\$3,214,000 for office to a related party which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family (six months ended 30 June 2018: HK\$1,425,000).
- (ii) During the six months ended 30 June 2019, the Group paid fly ash treatment fee of HK\$40,058,000 to an associate (six months ended 30 June 2018: HK\$Nil).

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the six months ended 30 June 2019 and 2018.

### (b) Key management compensation

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Wages and salaries	7,800	9,866
Pension costs — defined contribution plans	113	141
Welfare and other expenses	341	355
Total	8,254	10,362

## 29 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 approval for issue of the condensed consolidated interim financial information.
- (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 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.

## OTHER INFORMATION

The Company adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, the Company's 2015 annual report, 2016 annual report, 2017 annual report, 2018 annual report and note 21(c) to the condensed consolidated interim financial information for further details.

Name or category of participant	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
	as at 1 January 2019					as at 30 June 2019			
<b>Directors</b>									
Ms. Loretta Lee	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. Yuan Guozhen	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. CT Lai	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Subtotal	750,000	—	—	—	—	750,000			
<b>Other employees working under continuous employment contracts</b>									
In aggregate	2,250,000	—	—	—	—	2,250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	3,000,000	—	—	—	—	3,000,000			

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

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

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

The number of shares available for issue under the share option scheme is 197,000,000 Shares, representing 8.02%, 8.02%, 8.07% and 8.07% of the issued share capital of the Company as at the date of the Company's 2018 annual report, as at 30 June 2019, the date of the interim results announcement dated 22 August 2019 and as at the date of this interim report, respectively.

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

As at 30 June 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

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

Name of Director	Number of Shares/Underlying Shares Held					Total interests <sup>(4)</sup>	Total interests as % of the issued share capital
	Personal interest	Number of underlying shares held under equity derivatives <sup>(2)</sup>	Spouse interests	Founder of a discretionary trust <sup>(1)</sup>	Beneficiary of trust		
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	—	1,337,491,837	54.5%
Mr. KM Lai	—	—	10,000,000	1,335,615,837	—	1,345,615,837	54.8%
Mr. Yuan Guozhen	—	250,000	357,000	—	—	607,000	0.02%
Mr. CT Lai	—	250,000 <sup>(3)</sup>	1,626,000	—	1,335,615,837	1,337,491,837	54.5%
Professor Sha Zhenquan	100,000	—	—	—	—	100,000	0.00%
Mr. Chung Kwok Nam	80,000	—	—	—	—	80,000	0.00%

#### Notes:

- The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
- Details of share options held by the directors are shown in page 67.
- These represent the 250,000 share options held by Mr. CT Lai.
- Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Approximate percentage of interest</b>
Ms. Loretta Lee <sup>(1)</sup>	Best Approach	100.0%
Mr. KM Lai <sup>(1)</sup>	Best Approach	100.0%

Note:

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

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

So far as is known to the Directors or chief executives of the Company, as at 30 June 2019, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

**(1) The Company**

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

## OTHER INFORMATION

### Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
2. VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise and Best Approach for the purposes of the SFO.
3. Century Rise holds 45% of the issued share capital of Best Approach. Therefore, Century Rise is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.
4. True Victor is an indirect wholly-owned subsidiary of SIHL.

## INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 30 June 2019, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the common terms agreement and certain loan agreements entered between the Company and the Senior Lenders on 31 May 2018, it shall constitute a mandatory prepayment event if Ms. Loretta Lee, Mr. KM Lai and Mr. CT Lai (collectively, "the Controlling Shareholders"), as a group, at any time and for any reason cease to own, directly or indirectly, at least 35% of both the economic and voting interests in the Company's share capital (determined on a fully diluted basis); or if the Controlling Shareholders, as a group, cease to own the largest share of the economic and voting interests in the Company's share capital (determined on a fully diluted basis) as compared to any other shareholder of the Company or any other group of shareholders of the Company acting in concert. Unless otherwise agreed in writing by the Senior Lenders, within 10 days following the occurrence of any of the aforementioned events, the Company shall prepay all outstanding principal amount of the Loans and pay all interest accrued thereon and any other amounts then due and payable to the Senior Lenders under the Agreements and the other ancillary documents.



## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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	14,353,000	3.69	3.50	51,804

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.

## DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Ms. Loretta Lee was appointed as a Director of Johnson on 9 July 2018 and was re-designated as a non-executive Director on 24 January 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 interim report.

## 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 4:30 p.m. on Tuesday, 17 September 2019.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Lee Wing Yee Loretta  
(Chairlady and Executive Director)  
Mr. Lai Kin Man  
(Deputy Chairman and Executive Director)  
Mr. Yuan Guozhen  
(Chief Executive Officer and Executive Director)  
Mr. Lai Chun Tung (Executive Director)

### Non-Executive Directors

Mr. Feng Jun  
Mr. Lui Ting Cheong Alexander  
Mr. Lai Yui

### Independent Non-executive Directors

Professor Sha Zhenquan  
Mr. Chan Kam Kwan Jason  
Mr. Chung Wing Yin  
Mr. Chung Kwok Nam

## BOARD COMMITTEES

### Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)  
Professor Sha Zhenquan  
Mr. Chung Wing Yin

### Remuneration Committee

Professor Sha Zhenquan (Chairperson)  
Mr. Chan Kam Kwan Jason  
Mr. Chung Wing Yin

### Nomination Committee

Mr. Chung Wing Yin (Chairperson)  
Professor Sha Zhenquan  
Mr. Chan Kam Kwan Jason

### Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)  
Ms. Lee Wing Yee Loretta  
Professor Sha Zhenquan  
Mr. Chung Wing Yin

## COMPANY SECRETARY

Ms. Wong Ling Fong Lisa (HKICPA)

## AUTHORISED REPRESENTATIVES

Ms. Lee Wing Yee Loretta  
Ms. Wong Ling Fong Lisa

## AUDITORS

PricewaterhouseCoopers

## LEGAL ADVISORS

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

*as to PRC law:*  
Jingtian & Gongcheng

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

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL PLACE OF BUSINESS IN PRC

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## INVESTOR RELATIONS

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

## WEBSITE

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

## LISTING INFORMATION

### Equity Securities Listing

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

## INTERIM DIVIDEND

Amount payable	:	HK3.2 cents per share
Ex-entitlement date	:	Monday, 16 September 2019
Latest time for lodging transfer	:	At 4:30 p.m. on Tuesday, 17 September 2019
Book closure period	:	From Wednesday, 18 September to Friday, 20 September 2019 (both days inclusive)
Record date	:	Friday, 20 September 2019
Payment date	:	Friday, 4 October 2019

## DESPATCH OF CORPORATE COMMUNICATIONS

This interim report is printed in both English and Chinese versions and is delivered to Shareholders. This interim report is also published on Canvest's website ([www.canvestenvironment.com](http://www.canvestenvironment.com)) and Hong Kong Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

For environment protection reasons, the Company encourages Shareholders to view the contents of this interim report posted on the aforesaid websites.

## GLOSSARY

AGM	Annual general meeting
Baoshan Shengong	Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited** (上海寶山神工生活廢物處置有限公司), a company established under the laws of the PRC with limited liability
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
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
BVI	the British Virgin Islands
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Canvest Yuezhan Environmental	Canvest Yuezhan Environmental Management (Guangdong) Company Limited** (粵豐粵展環境管理(廣東)有限公司), a company established under the laws of the PRC with limited liability on 28 April 2018 and an indirect wholly-owned subsidiary of the Company
Cash generated from operating projects*	Net cash generated from/used in operating activities for the period, excluding net operating cash used for construction of various WTE plants under BOT arrangements
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
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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

## GLOSSARY

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
Mr. CT Lai	Mr. Lai Chun Tung (黎俊東), an executive Director
Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and our deputy chairman
Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady of our Company
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents’ daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.

PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠市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 an indirect wholly-owned subsidiary of the Company
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Shengong	Shanghai Shengong Environmental Corporation Limited** (上海神工環保股份有限公司), a company established under the laws of the PRC with limited liability
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
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust

## GLOSSARY

WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xinfeng	Xinfeng Canvest Environmental Protection Company Limited (formerly known as "Jiangxi Xinfeng Kun Yue Environmental Protection Company Limited")** (信豐粵豐環保電力有限公司) (formerly known as 江西信豐坤躍環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 June 2014 and an indirect wholly-owned subsidiary of the Company
Xingyi	Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited** (黔西南州興義市鴻大環保電力有限公司), a company 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