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CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

Financial Highlights	For the year ended 31 December		Change
	2019	2018	
Revenue (HK\$'000)	3,952,216	3,325,894	+18.8%
Included: Revenue from power sales and waste treatment (HK\$'000)	1,756,910	1,563,691	+12.4%
Gross profit (HK\$'000)	1,265,526	1,097,092	+15.4%
EBITDA (HK\$'000)	1,563,901	1,312,088	+19.2%
Profit for the year (HK\$'000)	892,051	754,355	+18.3%
Profit attributable to equity holders of the Company (HK\$'000)	892,622	754,364	+18.3%
Basic earnings per share (HK cents)	36.6	30.7	+19.2%
Final dividend per share (HK cents)	4.1	2.7	+51.9%
Cash generated from operating projects (HK\$'000) ⁽¹⁾	956,634	1,118,120	-14.4%

Note:

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

Operational Highlights

- During the year, the Group's implementation of innocuous treatment of waste volume amounted to 5,912,000 tonnes. The Group generated 2,355,931,000 kWh from green energy, saving 630,000 tonnes of standard coal and offsetting 2,810,000 tonnes of carbon dioxide equivalent emissions.⁽¹⁾
- Xinfeng WTE plant and phase 2 of Beiliu WTE plant commenced trial operation during the year.
- During the year, the Group was awarded concession rights of the Mancheng WTE project, Ruili WTE project, Shaoguan WTE project, Qiandongnan Prefecture South Area WTE project, Wuchang WTE project and Jingjiang WTE project.
- 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 would be principally engaged in the investment, construction and operation of a WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province.
- On 11 June 2019, Kewei entered into an agreement in relation to the acquisition of 49% equity interest in Dongguan Xindongyuan. Dongguan Xindongyuan owns the concession right to a WTE plant in Resources Comprehensive Utilisation Center in Haixinsha Island, Machong Town, Dongguan City, Guangdong Province, with a total daily MSW processing capacity of 2,250 tonnes.
- On 21 August 2019, the Group entered into an agreement with SIIC Environment Tech to establish a company, which would be principally engaged in the investment, construction and operation of a WTE project located in the Yangtze River Delta region.
- On 26 November 2019, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Zhongshan Guangye which holds a WTE plant in Zhonghsan, Guangdong Province, with a total daily MSW processing capacity of 1,040 tonnes.
- On 6 January 2020, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun, which was awarded the concession right of a WTE plant located in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province, with a total daily MSW processing capacity of 1,000 tonnes.
- In January 2020, the Group was awarded the concession rights of Yingkou WTE project.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2019.

Note:

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

CHAIRLADY'S STATEMENT

To all honorable Shareholders,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the year ended 31 December 2019 (the “year”).

With the Central People's Government (“Central Government”) attaching great importance to environmental protection and advocating that “*Lucid Waters and Lush Mountains are Invaluable Assets*”, supporting the development of waste-to-energy (“WTE”) industry become one of the top priorities of the Central Government. In the 13th Five Year Plan, national waste treatment by incineration target was set. In addition, the Central Government has issued various opinions and directives to support the healthy development of the WTE industry. Echoing the Central Government's vision in promoting a green and circular economy, and benefiting from favorable policies and initiatives, Canvest develops its WTE and environmental protection business and achieves stellar growth.

In February 2019, the Central Committee of the Communist Party of China and State Council jointly released the “Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay” (《粵港澳大灣區發展規劃綱要》) to promote deepened cooperation among the Pearl River Delta cities in resources conservation and environmental protection. During the year, Canvest captured growth opportunities in the Greater Bay area by securing new WTE projects in Guangdong province, further expanding market share in the region.

Apart from new greenfield and brownfield projects, the Group is excited to begin its cooperation with SIHL (who is our strategic and second largest Shareholder) on a project level basis. The Group successfully expanded its project portfolio in Shandong Province through the investment in Shen County WTE project, and widened geographic coverage to Yangtze River Delta region through the cooperation with SIIC Environment and Baowu Group Environmental Resources Technology Co., Ltd. (“Baowu Environment”) in the investment, construction and operation of Baoshan WTE project in Shanghai Municipality. Based on the working model of Baoshan WTE project, the Group entered into a Strategic Cooperation Framework Agreement (“Framework Agreement”) with SIIC Environment and Baowu Environment (together the “Parties”) in December 2019. Under the Framework Agreement, the Parties will explore functional transformation opportunities of iron and steel industrial parks in selected cities and aim to establish quality environmental projects and make positive contribution to the ecological protection and economic development in Yangtze River Economic Belt. We are confident that new business opportunities will be unleashed by collaborating with the Parties.

In June 2019, to promote waste sorting initiatives, 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, 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. Riding on this industry trend and leveraging on our proven track record and resources from our strategic shareholder, the Group will actively seek new opportunities to capture sustainable growth in the upstream and downstream businesses of the WTE industry value chain.

FINANCIAL PERFORMANCE

During the year, the Group’s revenue increased by 18.8% year-on-year to HK\$3,952.2 million, and the profit attributable to equity holders of the Company increased by 18.3% year-on-year to HK\$892.6 million. The increase was mainly attributable to the increase in revenue from power sales and waste treatment fees contributed by the newly operating plants and construction revenue from the additional projects.

After taking into consideration of the Group’s development plan and investment returns to our Shareholders, the Board has proposed the declaration of a final dividend of HK4.1 cents per ordinary Share for the year ended 31 December 2019 (2018: HK2.7 cents). If approved by Shareholders, the total dividend of 2019 would be HK7.3 cents per Share (2018: HK4.6 cents).

BUSINESS REVIEW

As at 31 December 2019, we had 28 WTE projects with total daily MSW processing capacity of 42,390 tonnes, of which 12 projects were in operation with total daily MSW processing capacity of 15,890 tonnes, and the remaining 16 projects were under construction or were planning according to schedule. As at the date of this announcement, our portfolio further increased to 30 WTE projects, with total daily MSW processing capacity amounted to 45,640 tonnes.

During the year, Canvest successfully expanded its geographic footprint and established its presence in five new regions, including Heibei Province, Yunnan Province, Heilongjiang Province, Jiangsu Province, and Shanghai Municipality. In addition, we further increased market share in our home base Guangdong Province, with the additions of Machong Town WTE project and Shaoguan WTE project. Furthermore, we obtained Shen County WTE project in Shandong Province and Qiandongnan Prefecture South Area WTE project in Guizhou Province. The increase of contracted daily MSW processing capacity in 2019 hit a record high of 13,350 tonnes.

Xinfeng WTE project and phase 2 of the Beiliu WTE plant had commenced operation during the year and started to generate operating revenue for the Group. In August 2019, Eco-Tech I, Eco-Tech II and Zhongshan WTE plant were awarded “Grade AAA Innocuous Waste Incineration Plant” (AAA級無害化焚燒廠) by the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳), the highest grade in the rating system, in recognition of the high quality standard of our WTE plants. Furthermore, China Scivest was named “The Most Beautiful WTE Plant” by the Guangdong Environmental Sanitation Association.

Canvest is committed to the betterment and sustainability of the environment. In 2019, the Group innocuously treated 5,912,000 tonnes of MSW and sold 2,355,931,000 kWh of green electricity, offset 2,810,000 tonnes of carbon dioxide equivalent emissions and saved 630,000 tonnes of standard coal. 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, social and corporate governance (“ESG”). Our ESG performance is recognized by the market, and we are pleased to receive “A” score from MSCI ESG Ratings in 2019. In acknowledgement of the Group’s contribution and commitment towards a low-carbon and sustainable future, we were awarded the “EcoChallenger” in the “BOCHK Corporate Environmental Leadership Awards 2018”. Last but not least, we are excited to be category and regional winners of the EY Entrepreneur of The Year China 2019 and winner of numerous prestige HKIRA’s Investor Relations Awards, which are great honor and encouragement to our company, our management team and our staff.

OUTLOOK

In November 2019, The Ministry of Ecology and Environment of the PRC published the “Regulations on the Automatic Data Monitoring System of Waste-to-energy Plants” (《生活垃圾焚燒發電廠自動監測數據應用管理規定》). Starting from 2 January 2020, all WTE plants were required to disclose selected emission and operating data on both corporate and designated government websites. The regulation promotes standardized monitoring across the industry to ensure full compliance of the environmental standards by all WTE plants, demonstrating the Central Government’s commitment in enforcing compliance and improving operating standards.

The “Opinions on Facilitating the Sound Development of Power Generation Through Non-water Renewable Energy” (《關於促進非水可再生能源發電健康發展的若干意見》— 財建[2020]4號) and “Measures for the Administration of Additional Subsidies for Renewable Energy Electricity Prices” (關於印發《可再生能源電價附加補助資金管理辦法》— 財建[2020]5號) were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration in early 2020, and the “Guiding Opinions on Building Contemporary Environmental Governance System” (《關於構建現代環境治理體系的指導意見》) was jointly published by the General Office of the Communist Party and the State Council in March 2020. These new policies

provide guidance on certain issues related to tariff subsidies, support the concepts of green development, deepen the surveillance on ecological environment protection, strengthen development of monitoring capabilities, improve the pricing mechanism, and enhance fiscal, taxation, financial support to the industry value chain. We are pleased to see these supporting policies, and will work closely with local governments on subsidy collection and setting reasonable treatment price.

In early 2020, reported cases of respiratory disease caused by novel coronavirus affected many cities, provinces and the world. To ensure the safety of our staff and normal operation of our plants, epidemic prevention and control measures were promptly adopted to ensure safety procedures and controls are in place, and sufficient sanitization and protective supplies are provided. In addition, we assisted local governments by providing timely treatment of non-hazardous medical waste, and have implemented special procedures in our MSW treatment process to prevent secondary transmission of viruses. To support local communities to combat against the pandemic, we have donated protective supplies and provided financial support to those in need.

Due to the outbreak of the pandemic, the global economy is faced with increased uncertainties, and the operation environment of enterprises are becoming more dynamic and challenging. The Group will remain steadfast in following our core strategies of focusing on quality projects, upholding high operating standards, and creating synergies with our strategic partners. We will fully capture the business opportunities of market transformation and achieve steady and healthy growth. Our goal is to become a valuable enterprise, make contributions to the environment and the society, and maximize return for our shareholders.

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

Lee Wing Yee Loretta
Chairlady

Hong Kong, 19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	<i>Note</i>	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	3,952,216	3,325,894
Cost of sales	3	<u>(2,686,690)</u>	<u>(2,228,802)</u>
Gross profit		1,265,526	1,097,092
General and administrative expenses	3	(241,915)	(228,299)
Other income	4	155,317	130,290
Other losses, net	5	<u>(7,832)</u>	<u>(8,830)</u>
Operating profit		1,171,096	990,253
Interest income	6	7,094	6,146
Interest expense	6	<u>(211,277)</u>	<u>(176,136)</u>
Interest expense, net		(204,183)	(169,990)
Share of net profits of associates and a joint venture		<u>54,770</u>	<u>32,004</u>
Profit before income tax		1,021,683	852,267
Income tax expense	7	<u>(129,632)</u>	<u>(97,912)</u>
Profit for the year		<u>892,051</u>	<u>754,355</u>
Attributable to:			
Equity holders of the Company		892,622	754,364
Non-controlling interests		<u>(571)</u>	<u>(9)</u>
		<u>892,051</u>	<u>754,355</u>
Earnings per share			
— basic (<i>expressed in HK cents per share</i>)	8(a)	<u>36.6</u>	<u>30.7</u>
— diluted (<i>expressed in HK cents per share</i>)	8(b)	<u>36.6</u>	<u>30.7</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>892,051</u>	<u>754,355</u>
Other comprehensive loss: <i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	<u>(125,391)</u>	<u>(217,975)</u>
Other comprehensive loss for the year, net of tax	<u>(125,391)</u>	<u>(217,975)</u>
Total comprehensive income for the year	<u><u>766,660</u></u>	<u><u>536,380</u></u>
Attributable to:		
Equity holders of the Company	<u>767,162</u>	536,389
Non-controlling interests	<u>(502)</u>	<u>(9)</u>
Total comprehensive income for the year	<u><u>766,660</u></u>	<u><u>536,380</u></u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Land use rights		—	136,324
Right-of-use assets		139,288	—
Property, plant and equipment		1,305,361	1,391,567
Intangible assets		7,112,119	4,962,118
Interests in associates and a joint venture		774,433	437,328
Deferred tax asset		11,163	—
Long-term deposits and prepayments	9	621,026	630,684
Receivables under service concession arrangements		1,336,113	1,339,602
		<u>11,299,503</u>	<u>8,897,623</u>
Current assets			
Inventories		6,619	5,725
Other receivables, deposits and prepayments	9	533,980	329,151
Receivables under service concession arrangements		103,485	101,050
Trade and bills receivables	9	465,916	260,323
Restricted deposits		36,937	6,949
Cash and cash equivalents		1,020,327	1,317,431
		<u>2,167,264</u>	<u>2,020,629</u>
Total assets		<u>13,466,767</u>	<u>10,918,252</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		24,405	24,549
Share premium		2,644,040	2,695,700
Other reserves		437,600	494,227
Retained earnings		2,717,222	2,078,971
		<u>5,823,267</u>	<u>5,293,447</u>
Non-controlling interests		199,440	1,110
Total equity		<u>6,022,707</u>	<u>5,294,557</u>

		As at 31 December	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		4,561,520	3,616,936
Lease liabilities		1,073	—
Deferred income tax liabilities		537,757	392,074
Deferred government grants		105,954	99,761
Other non-current liabilities		5,109	4,350
Other payables	<i>10</i>	177,244	172,238
		<u>5,388,657</u>	<u>4,285,359</u>
Current liabilities			
Trade and other payables	<i>10</i>	1,179,169	796,012
Current income tax liabilities		46,332	25,635
Bank borrowings		815,437	511,867
Lease liabilities		6,794	—
Deferred government grants		7,671	4,822
		<u>2,055,403</u>	<u>1,338,336</u>
Total liabilities		<u>7,444,060</u>	<u>5,623,695</u>
Total equity and liabilities		<u>13,466,767</u>	<u>10,918,252</u>
Net current assets		<u>111,861</u>	<u>682,293</u>
Total assets less current liabilities		<u>11,411,364</u>	<u>9,579,916</u>

Notes:

1 BASIS OF PREPARATION

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

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

1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had adopted HKFRS 16 “Leases” retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The other standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

This note explains the impact of the adoption of HKFRS 16 on the Group’s consolidated financial statements.

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 Hong Kong Accounting Standard (“HKAS”) 17 “Leases”. 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%.

(i) *Practical expedients applied*

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

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(ii) *Adjustments recognised in the consolidated balance sheet at 1 January 2019*

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 consolidated balance sheet at 1 January 2019:

	As at 31 December 2018	Adjustments on adoption of HKFRS 16	As at 1 January 2019
	As originally presented	HK\$’000	As restated
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets			
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
Non-current liabilities			
Lease liabilities	—	7,867	7,867
Current liabilities			
Lease liabilities	—	6,511	6,511
Equity			
Retained earnings	2,078,971	(144)	2,078,827

(iii) *Measurement of lease liabilities*

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 consolidated balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

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

(b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

Standards/Interpretation	Subject of standards amendment	Effective for annual years beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 3 Revised Conceptual Framework	Definition of a Business Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

The Group is currently assessing the impact of these new or revised standards on the Group's financial position and performance.

2 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2019, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — waste-to-energy (“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 are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2019 (2018: same).

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

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from power sales	1,263,882	1,129,326
Waste treatment fee	493,028	434,365
Construction revenue arising from build-operate-transfer (“BOT”) arrangement	2,014,086	1,696,409
Finance income arising from BOT arrangement	75,445	65,794
Environmental hygiene services income	105,775	—
	<u>3,952,216</u>	<u>3,325,894</u>

For the year ended 31 December 2019, the Group had transactions with three (2018: three) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$840,973,000, HK\$782,729,000 and HK\$589,931,000 were derived from the largest, the second largest and the third largest customer for the year ended 31 December 2019, respectively, while revenue of approximately HK\$787,515,000, HK\$772,650,000 and HK\$493,030,000 were derived from the largest, the second largest and the third largest customer for the year ended 31 December 2018, respectively.

3 EXPENSES BY NATURE

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

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Maintenance cost	156,082	103,961
Environmental protection expenses	257,591	229,071
Remuneration to the Company's auditor		
— Audit services	3,000	3,000
— Non-audit services	350	—
Remuneration to other auditors		
— Audit services	717	331
— Non-audit services	367	397
Employee benefit expenses	304,442	228,395
Depreciation and amortisation		
— Property, plant and equipment	124,364	120,167
— Intangible assets	196,379	159,853
— Right-of-use assets	10,198	—
— Land use rights	—	3,665
Other lease expenses*	9,361	—
Operating lease rentals	—	10,999
Construction cost recognised for construction of BOT projects (included in cost of sales)	1,678,408	1,413,675

* These expenses related 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.

4 OTHER INCOME

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Value-added tax refund (<i>Note (i)</i>)	119,688	101,182
Management income (<i>Note (ii)</i>)	12,209	6,990
Government grants (<i>Note (iii)</i>)	4,862	5,061
Others	18,558	17,057
	<u>155,317</u>	<u>130,290</u>

- Notes:*
- (i) The amount represents the Group's entitlement to value-added tax refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the Value-Added Tax on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.
 - (ii) Management income for the year ended 31 December 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 those grants.

5 OTHER LOSSES, NET

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
(Gain)/loss on disposals of property, plant and equipment	(107)	3,315
Exchange loss, net	11,100	5,515
Others (<i>Note</i>)	(3,161)	—
	<u>7,832</u>	<u>8,830</u>

Note: Others represent the net of (a) a dilution loss of HK\$15,289,000 as a result of the new shares issued by Hong Kong Johnson Holdings Co., Ltd. ("Johnson"), an associate of the Group, for its initial public offering ("IPO") on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 16 October 2019, which resulted the Group's ownership in Johnson to dilute from 41% to 30.75%, and (b) receivable of HK\$18,450,000 from an ex-shareholder of Johnson in relation to the delay of Johnson's listing on the Stock Exchange ("Listing") due to the additional time required for the preparation of the Listing pursuant to an agreement reached during the year.

6 INTEREST INCOME AND EXPENSE

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Interest expense on bank borrowings	(236,096)	(181,250)
Interest expense on lease liabilities	(485)	—
Less: amount capitalised on qualifying assets	<u>25,304</u>	<u>5,114</u>
	(211,277)	(176,136)
Interest income from bank deposits	4,478	6,146
Interest income from an associate (<i>Note</i>)	<u>2,616</u>	<u>—</u>
Interest expense, net	<u>(204,183)</u>	<u>(169,990)</u>

Note: As at 31 December 2019, a shareholder's loan of HK\$111,630,000 was granted to Dongguan Xindongyuan Environmental Investment Company Limited, which is owned as to 49% by the Group and accounted for as an associate in the consolidated balance sheet, and is unsecured and interest-bearing at the rate announced by the People's Bank of China and included in "Interests in associates and a joint venture" in the consolidated balance sheet (2018: Nil).

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
PRC enterprise income tax	64,547	32,205
Hong Kong profits tax	<u>—</u>	<u>—</u>
Total current income tax	64,547	32,205
Deferred income tax	<u>65,085</u>	<u>65,707</u>
Income tax expense	<u>129,632</u>	<u>97,912</u>

No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits for the year ended 31 December 2019 (2018: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the year ended 31 December 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 ("EIT") incentive that the project would be fully exempted from the PRC EIT for three years starting from the tax year in which the project recorded its first operating revenue, followed by a 50% tax reduction for the ensuing three years.

Subsidiaries	Applicable tax rate	
	Year ended 31 December 2019	2018
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%

8 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 year and excluding treasury shares and shares held under share award scheme.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (HK\$'000)	<u>892,622</u>	<u>754,364</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>2,441,916</u>	<u>2,455,236</u>
Basic earnings per share (HK cents)	<u>36.6</u>	<u>30.7</u>

(b) Diluted

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

The Company has one (2018: one category) dilutive potential ordinary share: share options (2018: share options). 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 year ended 31 December 2019 and 2018 are 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.

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

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Non-current assets		
Deposits for investments	528,769	558,283
Prepayments for property, plant and equipment and concession rights	89,508	66,843
Rental deposits	—	1,845
Other prepayments	2,749	3,713
	<u>621,026</u>	<u>630,684</u>
	-----	-----
Current assets		
Trade and bills receivables		
— Trade receivables	461,676	259,844
— Bills receivables	4,240	479
Other receivable, deposits and prepayments		
— Deposits and prepayments	82,984	42,681
— Other receivables (<i>Note</i>)	187,584	127,476
— Value-added tax recoverable	263,412	158,994
	<u>999,896</u>	<u>589,474</u>
	-----	-----
	<u>1,620,922</u>	<u>1,220,158</u>
	=====	=====

Note: During the year ended 31 December 2019, in relation to the Shanghai WTE Project, the Group has entered into an agreement with an entity which is ultimately controlled by the Shanghai municipal government (“Entity”). Pursuant to the agreement, the Entity shall reimburse the sum paid by the Group for obtaining the shares of Shanghai Shengong Environmental Protection Engineering Co., Ltd. and Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited. Related payments of RMB65,708,000 (equivalent to HK\$73,350,000) were paid by the Group during the year ended 31 December 2019 and were recorded in “other receivables” as at 31 December 2019.

Other than the balance mentioned above, as at 31 December 2019 and 2018, the balance mainly include receivables in relation to the management service income (Note 4) from a company whose directors consist of the Group’s key management personnel.

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

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

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

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 1 month	208,268	116,832
1 to 3 months	80,259	53,098
3 to 6 months	36,133	28,516
Over 6 months	33,104	38,268
	<hr/>	<hr/>
	357,764	236,714
Unbilled receivables (<i>Note</i>)	103,912	23,130
	<hr/>	<hr/>
	461,676	259,844
	<hr/> <hr/>	<hr/> <hr/>

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 pursuant to “Opinions on Facilitating the Sound Development of Power Generation Through Non-water Renewable Energy” (《關於促進非水可再生能源發電健康發展的若干意見》) and “Measures for the Administration of Additional Subsidies for Renewable Energy Electricity Prices” (《可再生能源電價附加補助資金管理辦法》) jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration.

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Non-current liabilities		
Other payables (<i>Note a</i>)	177,244	172,238
Current liabilities		
Trade payables (<i>Note b</i>)	154,002	198,730
Accruals and other payables (<i>Note a</i>)	1,025,167	597,282
	<u>1,179,169</u>	<u>796,012</u>
	<u>1,356,413</u>	<u>968,250</u>

Notes:

- (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\$34,706,000 (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 the trade payables based on invoice date was as follows:

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Up to 1 month	109,655	115,186
1 to 2 months	13,126	49,816
2 to 3 months	5,820	23,906
Over 3 months	25,401	9,822
	<u>154,002</u>	<u>198,730</u>

11 DIVIDEND

The Board has proposed the payment of a final dividend of HK4.1 cents per ordinary share for the year ended 31 December 2019 (2018: HK2.7 cents per ordinary share), totalling to HK\$100,021,000 (2018: HK\$66,283,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,439,541,169 shares) at the date of this announcement (i.e. 19 March 2020).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 12 June 2020, the proposed final dividend are expected to be paid on Friday, 10 July 2020 to shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2019.

During the year ended 31 December 2019, the Company has declared an interim dividend of HK3.2 cents per ordinary share (2018: HK1.9 cents per ordinary share), totalling to HK\$78,099,000 (2018: HK\$46,651,000).

12 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 26 November 2019, the Group entered into the equity transfer agreement with the vendors to acquire the entire equity interest of Zhongshan City Guangye Longcheng Environmental Company Limited (“Zhongshan Guangye”) at a total consideration of RMB340,000,000 (approximately HK\$378,284,000) (subject to downwards adjustment). Zhongshan Guangye owns the concession right to operate a WTE plant in Zhongshan, Guangdong. The daily municipal solid waste processing capacity of the Zhongshan WTE Plant is 1,040 tonnes. The transaction was completed in January 2020.

As at the date of this announcement, the Group was still in the process of completing the purchase price allocation of this transaction.

(b) On 6 January 2020, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun Environmental Energy Co., Ltd (“Xiangyun Shengyun”), a company established under the laws of the PRC with limited liability, at a consideration of RMB4,000,000 (equivalent to HK\$4,470,000). Xiangyun Shengyun owns the BOT concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province with a total daily MSW processing capacity of 1,000 tonnes.

(c) On 20 January 2020, the Group has entered into the framework agreement in relation to the WTE plant public-private-partnership project located in Yingkou City, Liaoning Province with the Bureau of Housing, Urban and Rural Planning and Construction in Yingkou City. The total daily MSW processing capacity of this WTE plant shall be 2,250 tonnes. The Yingkou WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 1,500 tonnes and phase 2 shall be 750 tonnes.

(d) After the outbreak of Coronavirus Disease in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In the meantime, the Group has implemented precautionary and control measures in all projects to fight against this disease and safeguard its employees and business operations. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

MANAGEMENT DISCUSSION AND ANALYSIS

With an aim to achieve the target set out in the “Plan on Urban Household Waste Treatment Facilities Construction for the 13th Five Year Plan Period”, many policies were promulgated by the Central Government in 2019.

In November 2019, the Ministry of Ecology and Environment of the PRC announced the “Regulation on the Application of Automatic Monitoring Data of WTE plant” (生活垃圾焚燒發電廠自動監測數據應用管理規定), which all WTE plants must connect the automatic monitoring equipment with the ecology and environmental departments with effect from 1 January 2020. The Company believes that it can strengthen the control from the local government and the public end and minimize the risk of emissions violations.

Pursuant to the “Law of Guangdong Province on the Prevention and Control of Environmental Pollution by Solid Waste” (廣東省固體廢物污染環境防治條例) and “Law of the Guangdong Province on the Prevention and Control Atmospheric Pollution” (廣東省大氣污染防治條例) which came into effect on 1 March 2019, more stringent emission standards were applied by the local government. In addition, “Notice of the implementation of strengthening the emission standard from the WTE plants and natural gas power plants of Dongguan City” (東莞市燃氣和生活垃圾焚燒發電廠煙氣提標改造實施方案) provides that the emission standard of nitrogen oxides (NOx) from WTE plants must be below 100mg/m³ in Dongguan.

The “Opinions on Facilitating the Sound Development of Power Generation Through Non-water Renewable Energy” (關於促進非水可再生能源發電健康發展的若干意見) and “Measures for the Administration of Additional Subsidies for Renewable Energy Electricity Prices” (可再生能源電價附加補助資金管理辦法) were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration in 2020. With the implementation of the abovementioned laws and regulations, we look forward to seeing the rapid development of the industry in a healthy manner for the next several years.

With the outbreak of respiratory disease caused by novel coronavirus, the Group adopted preventive and control measures in a scientific approach to fight against this disease and safeguard its employees and business operations. In response to the request from some local governments in the PRC, some of our WTE plants handled non-hazardous medical wastes under the full supervision by professionals. There is no material impact on our operations of the WTE projects. The Group will closely monitor and assess the impact of this disease and will take proactive measures as appropriate.

OVERALL PERFORMANCE

For the year ended 31 December 2019, the Group's revenue was HK\$3,952.2 million (2018: HK\$3,325.9 million), representing an increase of 18.8% over 2018. Revenue from power sales and waste treatment was HK\$1,756.9 million (2018: HK\$1,563.7 million), representing an increase of 12.4%. The operating profit was HK\$1,171.1 million (2018: HK\$990.3 million). Profit attributable to equity holders of the Company was HK\$892.6 million (2018: HK\$754.4 million), representing an increase of 18.3%. Basic earnings per share was HK36.6 cents (2018: HK30.7 cents).

During the year, the Group's implementation of innocuous treatment of waste volume amounted to 5,912,000 tonnes. The Group generated 2,355,931,000 kWh from green energy, saving 630,000 tonnes of standard coal and offsetting 2,810,000 tonnes of carbon dioxide equivalent emissions.

I. Waste-to-energy Business

Operating Processing Capacity

As at 31 December 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 31 December 2019, the operating, secured, announced and under management agreement daily MSW processing capacity of our 28 projects was 42,390 tonnes. As at the date of this announcement, the operating, secured and announced daily MSW processing capacity of our 30 projects is 45,640 tonnes.

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

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	18	26,790
Western China Region	3	5,000
Eastern China Region	4	8,000
Northern China and Northeast China Regions	4	5,050
Central China Region	1	800
Total	30	45,640

Projects

There are 30 operating, secured and announced projects in our portfolio as at the date of this announcement.

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

Location	Project(s)	Year ended 31 December	
		2019	2018
Southern China Region			
Guangdong Province	Eco-Tech I WTE plant		
	Waste treatment		
	Processed MSW (tonnes)	669,694	642,937
	Power generation		
	Power generated (MWh)	304,931	295,969
	Power sold (MWh)	267,450	263,848
	Eco-Tech II WTE plant		
	Waste treatment		
	Processed MSW (tonnes)	721,420	680,069
	Power generation		
	Power generated (MWh)	354,593	345,491
	Power sold (MWh)	323,032	310,946
	Kewei WTE plant		
	Waste treatment		
	Processed MSW (tonnes)	591,801	576,305
	Power generation		
	Power generated (MWh)	256,451	247,685
	Power sold (MWh)	226,117	218,018
China Scivest I WTE plant			
Waste treatment			
Processed MSW (tonnes)	794,090	755,315	
Power generation			
Power generated (MWh)	301,619	295,896	
Power sold (MWh)	264,447	261,232	
China Scivest II WTE plant			
Waste treatment			
Processed MSW (tonnes)	581,202	528,133	
Power generation			
Power generated (MWh)	266,650	263,236	
Power sold (MWh)	232,940	232,116	

Location	Project(s)	Year ended 31 December		
		2019	2018	
Guangdong Province	Lufeng WTE plant (Note 2)			
	Waste treatment			
	Processed MSW (tonnes)	404,481	74,657	
	Power generation			
	Power generated (MWh)	138,316	24,803	
	Power sold (MWh)	116,569	20,469	
Guizhou Province	Zhanjiang WTE plant			
	Waste treatment			
	Processed MSW (tonnes)	623,801	666,408	
	Power generation			
	Power generated (MWh)	221,554	215,572	
	Power sold (MWh)	192,716	188,197	
Guangxi Zhuang Autonomous Region	Xingyi WTE plant			
	Waste treatment			
	Processed MSW (tonnes)	419,537	384,902	
Guangxi Zhuang Autonomous Region	Power generation			
	Power generated (MWh)	142,573	124,823	
	Power sold (MWh)	118,427	103,265	
	Guangxi Zhuang Autonomous Region	Beiliu WTE plant (Note 3)		
		Waste treatment		
		Processed MSW (tonnes)	367,601	263,948
Power generation				
Power generated (MWh)		127,832	92,104	
Power sold (MWh)		109,300	77,383	
Guangxi Zhuang Autonomous Region	Laibin WTE plant			
	Waste treatment			
	Processed MSW (tonnes)	450,553	461,024	
	Power generation			
	Power generated (MWh)	149,408	147,951	
	Power sold (MWh)	133,127	124,712	
Jiangxi Province	Xinfeng WTE plant (Note 4)			
	Waste treatment			
	Processed MSW (tonnes)	287,772	N/A	
Jiangxi Province	Power generation			
	Power generated (MWh)	92,004	N/A	
	Power sold (MWh)	78,517	N/A	
Total	Waste treatment			
	Processed MSW (tonnes)	5,911,952	5,033,698	
	Power generation			
Power generated (MWh)	2,355,931	2,053,530		
Power sold (MWh)	2,062,642	1,800,186		

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) and Phase 1 of Lufeng WTE plant continued to provide contributions in 2019.

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 under construction.

In July 2019, the Group entered into an agreement in relation to the WTE plant PPP 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. The project is currently under construction.

Guizhou Province

Xingyi WTE plant continued to provide contributions in 2019.

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. The project is currently in the planning stage.

Guangxi Zhuang Autonomous Region

Laibin WTE plant and Beiliu WTE plant provided stable contribution in 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.

Yunnan Province

In May 2019, the Group was conditionally awarded the WTE plant PPP project located in Ruili City of Yunnan Province. The project is in the planning stage.

Eastern China Region

Jiangsu Province

In December 2019, the Group was awarded the PPP project in relation to a the circular economy industrial park phase I of WTE and kitchen waste treatment located in Jingjiang City, Taizhou City, Jiangsu Province. The project is in the planning stage. Please refer to the announcement of the Company dated 6 December 2019 for further details.

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 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 a WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. The project is in the planning stage.

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. SIIC Environment 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.

Shanghai Municipality

On 21 August 2019, the Group entered into an agreement with SIIC Environment Tech (Hong Kong) Limited (“SIIC Environment Tech”) to establish company. Since SIIC Environment Tech is a direct wholly-owned subsidiary of SIIC Environment, which is controlled by SIHL, SIIC Environment Tech is a connected person of the Company and hence the incorporation of company constituted a connected transaction of the Company. In November 2019, the Group and SIIC Environment Tech, through this company, cooperated with China Baowu Group for the investment, construction and operation of a WTE project in Shanghai. The project has daily municipal solid waste processing capacities of 3,000 tonnes for residual waste and 800 tonnes for household food waste and is in the planning stage. Please refer to the announcement of the Company dated 21 August 2019 for further details.

From August 2019 to December 2019, Canvest Yuezhan Environmental Management (Guangdong) Company Limited, an indirect wholly-owned subsidiary of the Company, entered into agreements in relation to the acquisition of 73.9% equity interest in Shanghai Shengong Environmental Protection Co. Ltd* and 6.25% equity interest in Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited* with 34 independent third parties at a total consideration of RMB110.7 million (equivalent to HK\$123.6 million). The purpose of the acquisition is to fulfill one of the conditions precedents of another investment project in the PRC.

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. The project is in the planning stage.

Northeast China Region

Heilongjiang Province

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. The project is in the planning stage.

Central China Region

Jiangxi Province

Xinfeng WTE plant commenced trial operation in first half of 2019 and provided contribution to the Group.

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. For the year ended 31 December 2019, it processed 102,646 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 in 2019.

The Group holds 30.75% equity interest in Johnson, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong, after listing on the Main board of Hong Kong Stock Exchange in October 2019. Loss on dilution of interest amounted to HK\$15.3 million and a receivable of approximately HK\$18.5 million from Hong Kong Johnson Investments (BVI) Company Limited (an ex-shareholder of Johnson (“Johnson BVI”)) in relation to the delay of Johnson’s listing on the Main Board of Hong Kong Stock Exchange (“Listing”) due to the additional time required for the preparation of the Listing pursuant to an agreement entered with Johnson BVI during the year.

REVENUE

During the year, the Group's revenue reached HK\$3,952.2 million, representing an increase of 18.8% when compared with HK\$3,325.9 million in 2018. Among that, revenue from power sales and waste treatment fees for the year reached HK\$1,756.9 million, representing an increase of 12.4% from 2018. Increase in total revenue was mainly contributed by the increase in power sales and waste treatment fees from newly operating plants and the construction revenue from the additional projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from power sales	1,263,882	32.0%	1,129,326	33.9%
Revenue from waste treatment fees	493,028	12.5%	434,365	13.1%
Construction revenue arising from BOT arrangement	2,014,086	51.0%	1,696,409	51.0%
Finance income arising from BOT arrangement	75,445	1.8%	65,794	2.0%
Environmental hygiene services income	105,775	2.7%	—	—
Total	<u>3,952,216</u>	<u>100.0%</u>	<u>3,325,894</u>	<u>100.0%</u>

The following table sets forth the breakdown of the Group's revenue by region for the year ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Southern China Region	3,608,227	91.3%	2,832,862	85.2%
Central China Region	140,201	3.6%	493,032	14.8%
Western China Region	144,191	3.6%	—	—
Northern China Region	59,597	1.5%	—	—
Total	<u>3,952,216</u>	<u>100%</u>	<u>3,325,894</u>	<u>100.0%</u>

COST OF SALES

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

During the year, cost of sales increased by 20.5% from HK\$2,228.8 million in 2018 to HK\$2,686.7 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

In 2019, gross profit of the Group amounted to HK\$1,265.5 million, representing an increase of 15.4% as compared to HK\$1,097.1 million in 2018. The increase in gross profit was mainly attributable to the increase in power sales and waste treatment fees from newly operating plants.

The following table sets forth the breakdown of the Group's gross profit by nature for the year ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Power sales and waste treatment operations	835,915	66.1%	748,564	68.2%
Construction service arising from BOT arrangement	335,678	26.5%	282,734	25.8%
Finance income arising from BOT arrangement	75,445	5.9%	65,794	6.0%
Environmental hygiene services income	18,488	1.5%	—	—
Total	<u>1,265,526</u>	<u>100.0%</u>	<u>1,097,092</u>	<u>100.0%</u>

Gross profit margin of the Group decreased from 33.0% in 2018 to 32.0% 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 year ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	Gross profit margin	Gross profit margin
Power sales and waste treatment operations	47.6%	47.9%
Construction service arising from BOT arrangement	16.7%	16.7%
Finance income arising from BOT arrangement	100.0%	100.0%
Environmental hygiene services income	17.5%	—
Gross profit margin of the Group	<u>32.0%</u>	<u>33.0%</u>

GENERAL AND ADMINISTRATIVE EXPENSES

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

General and administrative expenses increased by 6.0% from HK\$228.3 million in 2018 to HK\$241.9 million in 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 19.2% from HK\$130.3 million in 2018 to HK\$155.3 million in 2019. It was mainly due to the additional operating plants that were entitled to have VAT refund.

OTHER LOSSES, NET

During the year, other net losses recorded HK\$7.8 million as compared to HK\$8.8 million in 2018. The decrease was mainly due to increase in foreign exchange loss and net of loss on dilution and receivable in relation to Johnson.

INTEREST EXPENSE, NET

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income from bank deposits. During the year, net interest expenses increased by 20.1% from HK\$170.0 million in 2018 to HK\$204.2 million in 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 32.4% from HK\$97.9 million in 2018 to HK\$129.6 million in 2019. It was mainly attributable to the 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 18.3% from HK\$754.4 million in 2018 to HK\$892.6 million in 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 year, the Group generated HK\$956.6 million in cash from operating projects (2018: HK\$1,118.1 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$1,369.7 million (2018: HK\$1,271.9 million). As a result, the total net cash used in operating activities amounted to HK\$413.1 million during the year (2018: HK\$153.8 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2019, the total cash and cash equivalents of the Group were HK\$1,020.3 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 been fully utilized as at 31 December 2019.

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

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

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 31 December 2019, the Group's bank borrowings were HK\$5,377.0 million (31 December 2018: HK\$4,128.8 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2018: same) and all of them were at floating interest rates (31 December 2018: same).

On 31 May 2018, the Company (as borrower) entered into a common terms agreement and certain loan agreements thereunder (the "Agreements") relating to certain term loans in the aggregate amount of HK\$1,176.0 million (the "Loans") with seven banks and financial institutions ("Senior Lenders"). The term of the Loans is 60 months commencing from the date of the Agreements. On 5 July 2018, the Company entered into supplemental agreements in respect of the Agreements with the Senior Lenders whereby the aggregate amount of the term loans contemplated under the Agreements was increased from HK\$1,176.0 million to HK\$1,409.2 million. As at 31 December 2019, HK\$1,409.2 million had been utilised.

Net asset of the Group was HK\$6,022.7 million (31 December 2018: HK\$5,294.6 million). The increase in net asset was mainly attributable to the profit generated during the year.

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

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Portion of term loans due to repayment after one year		
— secured	4,561,520	3,616,936
Portion of term loans due for repayment within one year		
— secured	735,437	511,867
Revolving loan due for repayment within one year		
— unsecured	80,000	—
	<u>5,376,957</u>	<u>4,128,803</u>
Total bank borrowings		

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2019, the gearing ratio was 55.3% (31 December 2018: 51.5%).

As of 31 December 2019, the Group had banking facilities (including the Loans) in the amount of HK\$6,209.4 million, of which HK\$801.3 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

Cost of Borrowings

For the year ended 31 December 2019, the total cost of borrowings of the Group was HK\$236.1 million (2018: HK\$181.3 million), representing an increase of HK\$54.8 million. The increase was due to the interest expenses in relation to the syndicated loans. Effective interest rate ranged from 3.68% to 6.65% for the year ended 31 December 2019 (2018: 4.41% 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 31 December 2019, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$4,457.0 million (31 December 2018: HK\$2,867.7 million) and its capital commitment contracted for but not yet provided for in the consolidated financial statement in relation to construction cost for BOT amounted to HK\$1,504.3 million (31 December 2018: HK\$999.5 million); in relation to capital injection to Zaozhuang Zhongke amounted to HK\$88.0 million, which will be settled through recapitalisation of future profit of Zaozhuang Zhongke (31 December 2018: HK\$284.0 million as capital injection by cash and recapitalisation of future profit); acquisition of subsidiaries amounted to HK\$29.0 million (31 December 2018: HK\$16.0 million) and capital injection to associates and a joint venture amounted to HK\$206.5 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 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. SIIC Environment 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 2019.

Formation of a company

On 21 August 2019, the Group entered into the agreement with SIIC Environment Tech to establish a company, which will be principally engaged in the investment, construction and operation of the WTE project located in the Yangtze River Delta region.

The registered capital of this company shall be HK\$30,000,000. 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 direct wholly-owned subsidiary of SIIC Environment. SIHL is a controlling shareholder of SIIC and is a substantial shareholder of the Company. Therefore, SIIC Environment Tech is a connected person of the Company and hence entering into of this agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 21 August 2019 for further details.

Acquisition of 100% equity interest in Zhongshan Guangye

On 26 November 2019, Kewei, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Mr. Zhang She and Shenzhen Guangye Longcheng Environmental Holdings Limited, pursuant to which Kewei agreed to acquire the entire equity interest of Zhongshan Guangye at a total consideration of RMB340,000,000 (approximately HK\$378,284,000).

Zhongshan Guangye owns the concession right to operate a WTE plant in Zhongshan, Guangdong. The daily municipal solid waste processing capacity of the Zhongshan WTE Plant is 1,040 tonnes. Please refer to the announcement of the Company dated 26 November 2019 for further details. The transaction has been completed in January 2020.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the year ended 31 December 2019.

CAPITAL EXPENDITURES

For the year ended 31 December 2019, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$1,740.8 million (2018: HK\$1,454.1 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 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged certain of its rights to collect revenue from power sales, waste handling services and environmental hygiene services, 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\$6,342.1 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 year ended 31 December 2019, the rent paid by the Group to Yue Xing was HK\$6,649,000 (2018: HK\$2,739,000).

HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 2,771 employees, 55 of them were at management level. By geographical locations, it had 2,743 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 year ended 31 December 2019 were HK\$304.4 million (2018: HK\$228.4 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.

On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares at a consideration of HK\$3.7 per share, totaling HK\$37,370,000, for the purpose of the Share Award Scheme. The Shares shall constitute part of the trust fund and shall be held by the Trustee for the benefit of the Eligible Persons under the trust. No Shares were granted by the Company under the Share Award Scheme up to the date of this announcement. Please refer to the announcement of the Company dated 17 July 2019 for further details.

EVENTS AFTER BALANCE SHEET DATE

(a) On 26 November 2019, Kewei entered into the equity transfer agreement with the vendors to acquire the entire equity interest of Zhongshan City Guangye Longcheng Environmental Company Limited at a total consideration of RMB340,000,000 (approximately HK\$378,284,000) (subject to downwards adjustment). Zhongshan Guangye owns the concession right to operate a WTE plant in Zhongshan, Guangdong. The daily municipal solid waste processing capacity of the Zhongshan WTE Plant is 1,040 tonnes. The transaction has been completed in January 2020.

As at the date of this announcement, the Group is still in the process of completing the purchase price allocation of this transaction.

(b) On 6 January 2020, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun Environmental Energy Co., Ltd (“Xiangyun Shengyun”), a company established under the laws of the PRC with limited liability, at a consideration of RMB4,000,000 (equivalent to HK\$4,470,000). Xiangyun Shengyun owns the BOT concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province with a total daily MSW processing capacity of 1,000 tonnes.

(c) On 20 January 2020, Kewei has entered into the framework agreement in relation to the WTE plant public-private-partnership project located in Yingkou City, Liaoning Province with the Bureau of Housing, Urban and Rural Planning and Construction in Yingkou City. The total daily MSW processing capacity of this WTE plant shall be 2,250 tonnes. The Yingkou WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 1,500 tonnes and phase 2 shall be 750 tonnes.

- (d) After the outbreak of Coronavirus Disease in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In the meantime, the Group has implemented precautionary and control measures in all projects to fight against this disease and safeguard its employees and business operations. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

DIVIDENDS

During the year, the Company declared an interim dividend of HK3.2 cents per ordinary share. (2018: HK1.9 cents). The Board has proposed the payment of a final dividend of HK4.1 cents (2018: HK2.7 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the annual general meeting (“AGM”) of the Company to be held on Friday, 12 June 2020, the proposed final dividend is expected to be paid on Friday, 10 July 2020 to Shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020.

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of Shareholders who are entitled to attend and vote at the 2020 AGM

Latest time for lodging transfer documents of shares : 4:30 p.m. on Monday, 8 June 2020
Period of closure of register of members : Tuesday, 9 June 2020 to Friday, 12 June 2020 (both dates inclusive)

To determine the shareholders’ entitlement to the final dividend

Ex-entitlement date for final dividend : Tuesday, 16 June 2020
Latest time for lodging transfer documents of shares : 4:30 p.m. on Wednesday, 17 June 2020
Period of closure of register of members : Thursday, 18 June 2020 to Monday, 22 June 2020 (both dates inclusive)
Record date : Monday, 22 June 2020

To qualify for attending and voting at the 2020 AGM and/or entitlement to the final dividend, all properly completed transfer forms accompanied by the Share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of Shares.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Friday, 12 June 2020. Notice of the 2020 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

PUBLIC FLOAT

Based on the information that is available to the Company and to the best knowledge and belief 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 year ended 31 December 2019 and as at the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2019, reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, reviewed the continuing connected transaction and discussed internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, the Company has complied with the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, the Company repurchased 15,391,000 Shares of the Company on Hong Kong Stock Exchange. 14,353,000 Shares were cancelled prior to 31 December 2019 and 1,038,000 Shares were cancelled on 9 January 2020. Details of the repurchase were as follows:

Month of repurchase	Number of Shares repurchased	Purchase price per Share		Aggregate price paid (including expenses) (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
May 2019	5,618,000	3.65	3.52	20,281
June 2019	8,735,000	3.69	3.50	31,523
November 2019	1,038,000	3.42	3.15	3,499

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 year ended 31 December 2019 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's Shares.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 containing all the information required under the Listing Rules will be dispatched to the Company's Shareholders and will be posted on the above websites in due course.

BOARD OF DIRECTORS

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

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

Hong Kong, 19 March 2020

GLOSSORY

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 incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
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 incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company incorporated in the PRC with limited liability 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 incorporated in 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 incorporated in 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 incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
EIT	Enterprise Income Tax of the PRC
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates

Jiayang Canvest	Jiayang Canvest Environmental Power Company Limited** (簡陽粵豐環保電力有限公司), a company incorporated in the PRC with limited liability
Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955)
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 incorporated in the PRC with limited liability 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 incorporated in the PRC with limited liability 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 incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠中田新能源有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
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
Share(s)	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
SIIC Environment	SIIC Environment Holdings Limited, a company incorporated in the Republic of Singapore with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 807) and Singapore Exchange Limited (stock code: BHK.SG)

SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company
True Victor	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars	United States dollars, being the lawful currency of the United States of America
VAT	Value-added tax in the PRC
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xinfeng	Xinfeng Canvest Environmental Power 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 incorporated in the PRC with limited liability 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 incorporated in the PRC with limited liability 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 incorporated in the PRC with limited liability 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 incorporated in the PRC with limited liability 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 and an indirect non-wholly owned subsidiary of the Company
Zhanjiang	Zhanjiang Canvest Environmental Power Company Limited** (湛江市粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Zhongshan Guangye	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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*