粵豐環保電力有限公司

Canvest Environmental Protection Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

ANNUAL REPORT 2019

Capturing Immense Opportunity Creating Sustainable Growth

MIX
Paper from responsible sources
FSC™ C102068

CORPORATE PROFILE

Canvest Environmental Protection Group Company Limited is principally engaged in the provision of environmental hygiene and related services and operation and management of waste-to-energy plants. As at 19 March 2020, the total operating, secured and announced daily MSW processing capacity of our 30 projects reached 45,640 tonnes. A number of these projects have been awarded "Grade AAA Innocuous Waste Incineration Plant", the highest grade in the grading system.

The Company was listed on the Main Board of Hong Kong Stock Exchange in December 2014, and has been selected as a constituent of Hang Seng Infrastructure Index, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index — Utilities, Hang Seng Composite SmallCap Index and one of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect.

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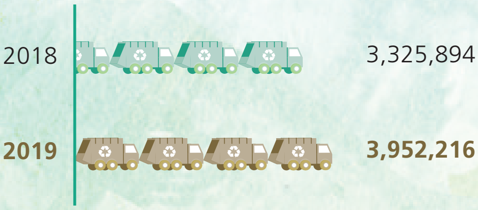
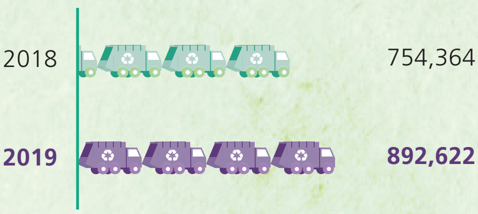
FINANCIAL HIGHLIGHTS

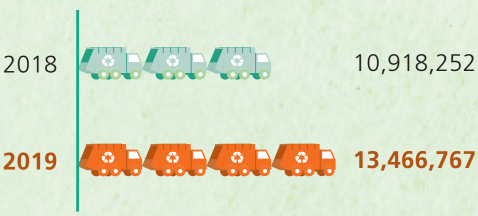
Revenue
(for the year ended 31 December)
HK$'000
↑ 18.8%



Profit attributable to equity holders of the Company
(for the year ended 31 December)
HK$'000
↑ 18.3%



Total assets
(as at 31 December)
HK$'000
↑ 23.3%



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

	For the year ended 31 December		
	2019	2018	Change
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%
Total dividend per Share (HK cents)*	**7.3**	4.6	+58.7%
Cash generated from operating projects (HK$'000)**	**956,634**	1,118,120	–14.4%

* including proposed final dividend for the year ended 31 December 2019 of HK4.1 cents (2018: HK2.7 cents) per Share

** Non-HKFRS measures

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

	As at 31 December		
	2019	2018	Change
Total assets (HK$'000)	**13,466,767**	10,918,252	+23.3%
Total liabilities (HK$'000)	**7,444,060**	5,623,695	+32.4%
Included: Total bank borrowings (HK$'000)	**5,376,957**	4,128,803	+30.2%
Equity attributable to equity holders of the Company (HK$'000)	**5,823,267**	5,293,447	+10.0%
Total liabilities / total assets	**55.3%**	51.5%	+3.8 pts

PROJECTS OVERVIEW

Total Operating, Secured and Announced Daily MSW Processing Capacity

45,640 Tonnes
(as at 19 March 2020)

A cleaning and waste management services provided by Sichuan Jiajieyuan

B environmental hygiene service provided by Johnson

C fly ash landfill service provided by Dongguan Xindongyue

	Number of Projects	Daily Processing Capacity (tonnes)
Guangdong	14	21,990
Guangxi	2	2,550
Guizhou	2	2,250
Hebei	1	1,000
Heilongjiang	1	600
Jiangsu	1	1,200
Jiangxi	1	800
Liaoning	1	2,250
Shandong	2	3,000
Shanghai	1	3,800
Shanxi	1	1,200
Sichuan	1	3,000
Yunnan	2	2,000
Total	**30**	**45,640**

PROJECTS OVERVIEW

Province	No.	Project	Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status
Guangdong	1	Eco-Tech I WTE plant	Dongguan	1,800 tonnes	36MW	RMB110/tonne	In operation
	2	Eco-Tech II WTE plant	Dongguan	1,500 tonnes	50MW	RMB110/tonne	In operation
	3	Kewei WTE plant	Dongguan	1,800 tonnes	30MW	RMB110/tonne	In operation
	4	China Scivest I WTE plant	Dongguan	1,800 tonnes	42MW	RMB110/tonne	In operation
	5	China Scivest II WTE plant	Dongguan	1,200 tonnes	36MW	RMB110/tonne	In operation
	6	Machong WTE Plant	Dongguan	2,250 tonnes	80MW	RMB110/tonne	Under construction
	7	Zhanjiang WTE plant	Zhanjiang	1,500 tonnes	30MW	RMB81.8/tonne	In operation
	8	Qingyuan WTE plant	Qingyuan	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	50MW	RMB50/tonne (Under negotiation)	Planning
	9	Zhongshan WTE plant	Zhongshan	1,040 tonnes	24MW	RMB93.61/tonne	In operation
	10	Lufeng WTE plant	Lufeng	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	RMB91.5/tonne	Phase 1: In operation Phase 2: Planning
	11	Xinyi WTE plant	Xinyi	950 tonnes (Note)	24MW	RMB79/tonne	In operation
	12	Xuwen WTE plant	Xuwen	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	RMB80.5/tonne	Phase 1: Under construction Phase 2: Under construction
	13	Dianbai WTE plant	Maoming	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: 25MW	RMB89.5/tonne	Phase 1: Under construction Phase 2: Planning
	14	Shaoguan WTE Plant	Shaoguan	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB88.88/tonne	Phase 1: Under construction Phase 2: Planning
Guangxi	15	Laibin WTE plant	Laibin	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	RMB95/tonne	Phase 1: In operation Phase 2: Planning
	16	Beiliu WTE plant	Beiliu	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB83/tonne (Calculated on weighted average basis)	In operation
Guizhou	17	Xingyi WTE plant	Xingyi	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB80/tonne	In operation
	18	Qiandongnan Prefecture South Area WTE Plant	Liping	Phase 1: 700 tonnes Phase 2: 350 tonnes	15MW	RMB66.8/tonne	Planning
Jiangxi	19	Xinfeng WTE plant	Xinfeng	Phase 1: 400 tonnes Phase 2: 400 tonnes	15MW	RMB70/tonne	In operation
Shandong	20	Zaozhuang WTE plant	Zaozhuang	Phase 1: 1,000 tonnes Phase 2: 800 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB49/tonne (will be adjusted after technological upgrade)	Phase 1: Under technological upgrade Phase 2: Under construction
	21	Shen County WTE plant	Shen County, Liaocheng	Phase 1: 700 tonnes Phase 2: 500 tonnes	15MW	RMB70/tonne	Planning
Shanghai	22	Baoshan WTE plant	Shanghai	3,800 tonnes	126MW	Under negotiation	Planning
Jiangsu	23	Jingjiang WTE plant	Jingjiang	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 7.5MW	RMB67.8/tonne	Planning
Sichuan	24	Jianyang WTE plant	Jianyang	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	RMB65.95/tonne	Phase 1: Under construction Phase 2: Planning

PROJECTS OVERVIEW

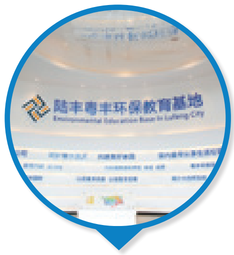
Province	No.	Project	Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status
Yunnan	25	Ruili WTE Plant	Ruili	Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 12MW Phase 2: Planning	RMB75/tonne	Phase 1: Under construction Phase 2: Planning
Yunnan	26	Xiangyun WTE plant	Xiangyun	1,000 tonnes	18MW	RMB56.8/tonne	Planning
Heilongjiang	27	Wuchang WTE plant	Wuchang	600 tonnes	12MW	RMB58/tonne	Planning
Hebei	28	Mancheng WTE plant	Mancheng	Phase 1: 500 tonnes Phase 2: 500 tonnes	24MW	RMB76.8/tonne	Under construction
Shanxi	29	Linfen WTE plant	Linfen	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB72.6/tonne	Planning
Liaoning	30	Yingkou WTE plant	Yingkou	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 30MW Phase 2: 15MW	RMB66/tonne	Planning

Note: On 11 December 2019, the Group received an approval from Maoming Development and Reform Bureau that the daily MSW processing capacity of Xinyi WTE plant can be increased to 950 tonnes.

CORPORATE MILESTONES

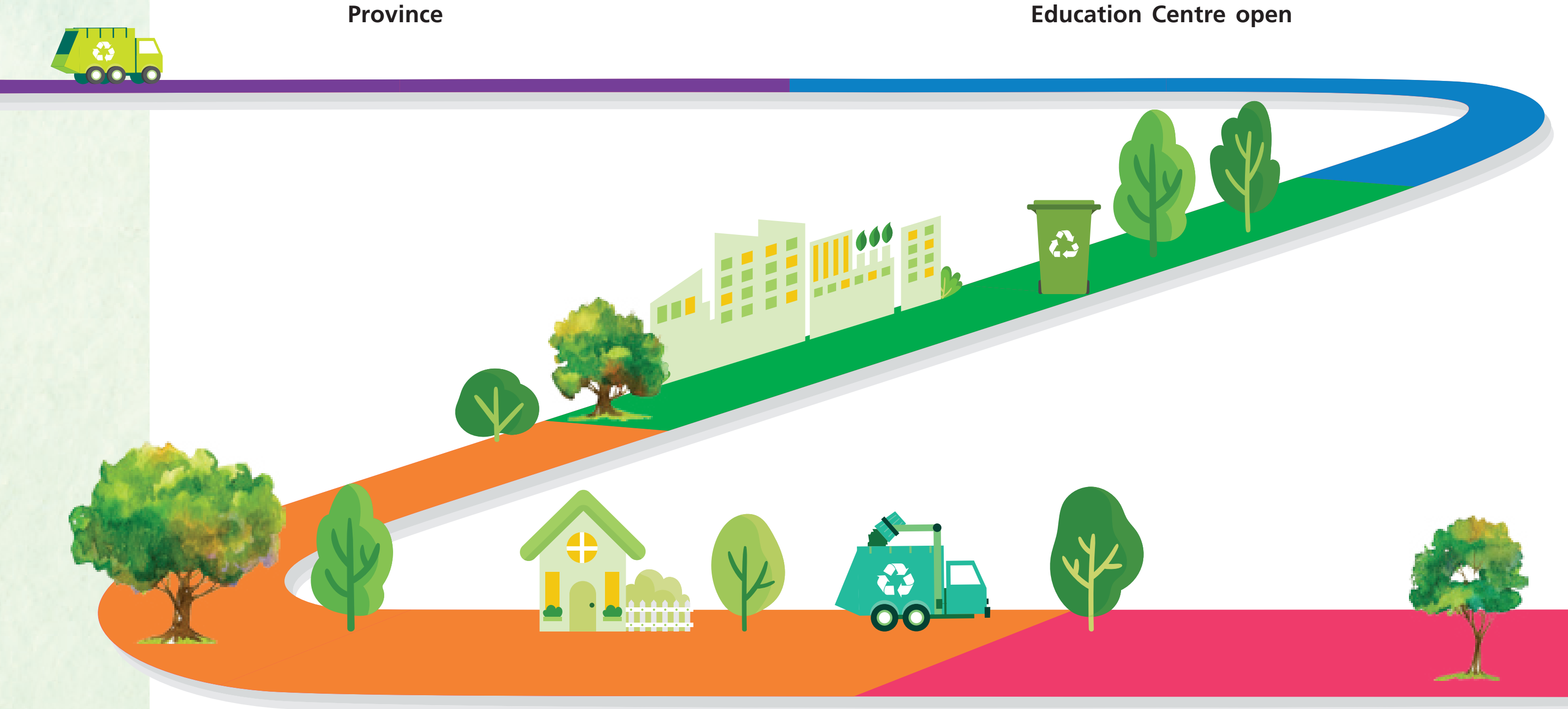
Q1 2019

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



Q2 2019

- Awarded the concession right in relation to Ruili WTE plant
- entered into an agreement in relation to the acquisition of 49% equity interest in Dongguan Xindongyuan, which owns the concession right to Machong WTE project located in Dongguan, Guangdong Province
- Adopted the share award scheme
- Lufeng Canvest Environmental Education Centre open



Q3 2019

- Eco-Tech I & II WTE Plants and Zhongshan WTE Plant were recognised as "Grade AAA Innocuous Waste Incineration Plant"
- Entered into a PPP agreement in relation to Shaoguan WTE project
- Awarded the concession rights in relation to Qiandongnan Prefecture South Area WTE Plant
- Entered into an agreement with SIIC Environment Tech to establish a company, which will be principally engaged in the investment, construction and operation of a WTE project located in the Yangtze River Delta region
- Awarded the concession rights in relation to Wuchang WTE Plant
- Published the first stand-alone sustainability report

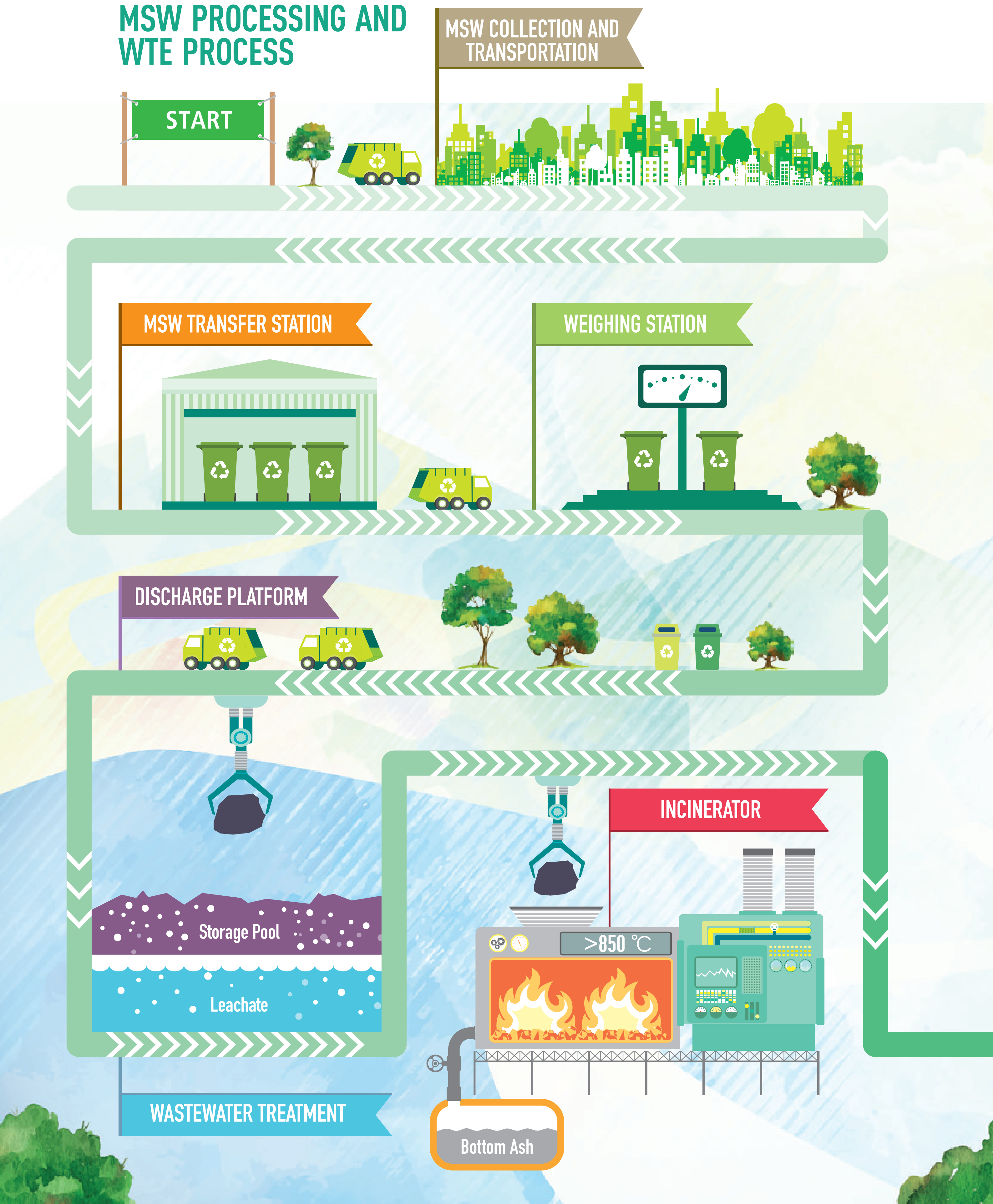
Q1
2020

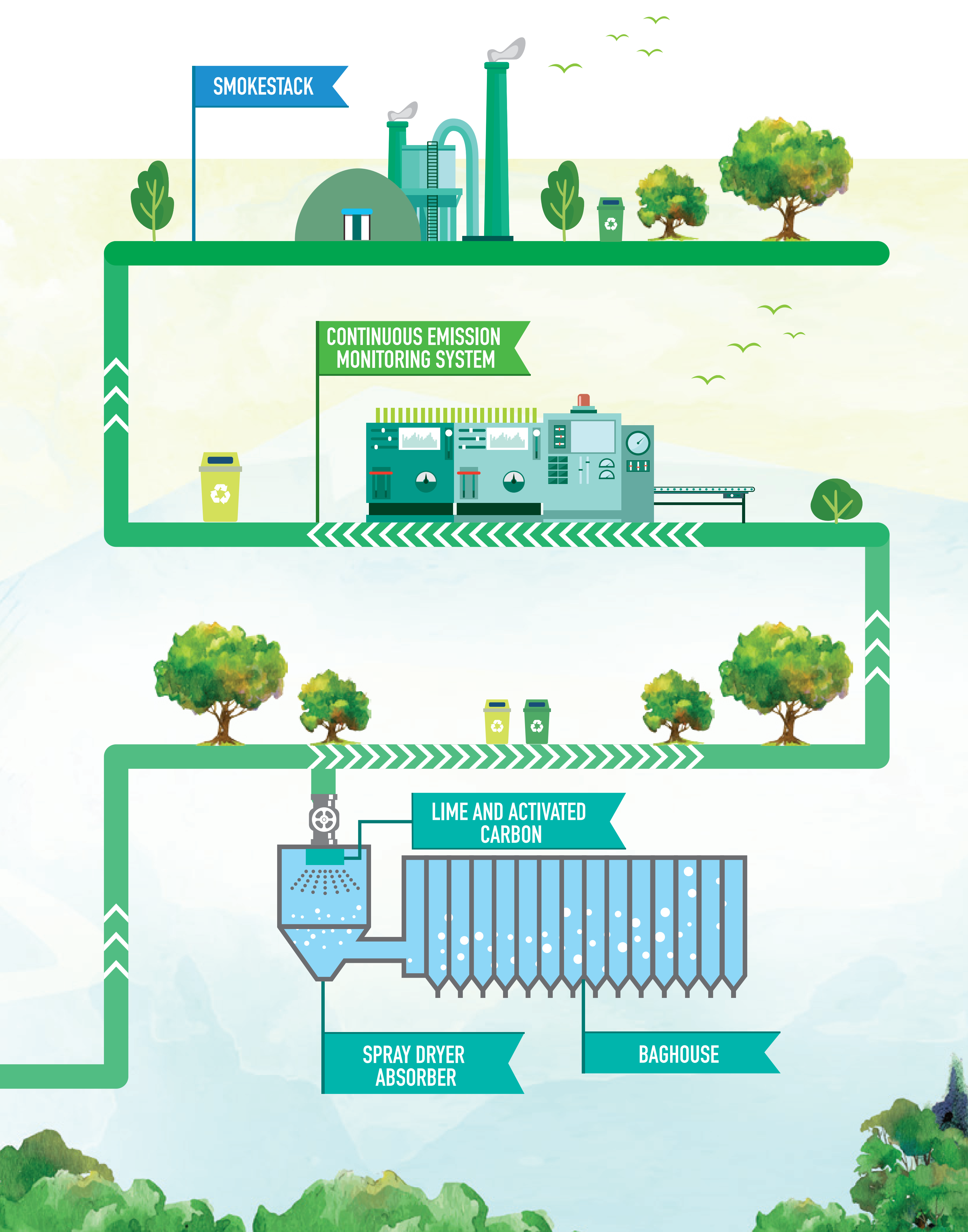
- Entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun. It was awarded the concession rights of Xiangyun WTE plant located in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province
- Awarded the concession rights in relation to Yingkou WTE project
- Supported local communities to combat against pandemic caused by novel coronavirus by donating protective supplies and providing financial support to those in need, as well as providing timely treatment of non-hazardous medical waste under full supervision by professionals
- Xinyi WTE plant commenced trial operation

Q4
2019

- Entered into an agreement in relation to the acquisition of 100% equity interest in Zhongshan Guangye, which owns the concession rights to a WTE plant in Zhonghsan, Guangdong Province
- Awarded the concession rights in relation to Jingjiang WTE project
- China Scivest was named "The Most Beautiful WTE Plant"

MSW PROCESSING AND WTE PROCESS




SMOKESTACK
CONTINUOUS EMISSION MONITORING SYSTEM
LIME AND ACTIVATED CARBON
SPRAY DRYER ABSORBER
BAGHOUSE

CHAIRLADY'S STATEMENT

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.

OUR GOAL IS TO BECOME A VALUABLE ENTERPRISE, MAKE CONTRIBUTIONS TO THE ENVIRONMENT AND THE SOCIETY, AND MAXIMIZE RETURN FOR OUR SHAREHOLDERS.

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.

CHAIRLADY'S STATEMENT

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 annual report, 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

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/m^3 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 annual report, 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 annual report:

	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 annual report.

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
	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

MANAGEMENT DISCUSSION AND ANALYSIS

Location	Project(s)	Year ended 31 December 2019	2018
Guangdong 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
Guizhou Province	**Xingyi WTE plant**		
	Waste treatment		
	Processed MSW *(tonnes)*	**419,537**	384,902
	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
	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
Central China Region			
Jiangxi Province	**Xinfeng WTE plant** *(Note 4)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**287,772**	N/A
	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 and Xuwen WTE plant are under construction. Qingyuan WTE plant is still under planning, and the environmental assessment was completed in February 2020. Xinyi WTE plant commenced trial operation in first quarter 2020.

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 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 a 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 a company constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. 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 its listing on the Main Board of the 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	
	HK$'000	**%**	HK$'000	%
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	**3,952,216**	**100.0%**	3,325,894	100.0%

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	
	HK$'000	**%**	HK$'000	%
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	**3,952,216**	**100%**	3,325,894	100.0%

COST OF SALES

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

During the year, cost of sales increased by 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	
	HK$'000	**%**	HK$'000	%
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	**1,265,526**	**100.0%**	1,097,092	100.0%

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	**32.0%**	33.0%

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 HK$'000	Actual use of the net proceeds in 2017 HK$'000	in 2018 HK$'000	**in 2019 HK$'000**	Unused balance as at 31 December 2019 HK$'000
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	305,403	79,101	226,302	**—**	—
	1,018,013	294,061	537,509	**186,443**	—

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
	HK$'000	HK$'000
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**	—
Total bank borrowings	**5,376,957**	4,128,803

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 was 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 Environment 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 was completed in January 2020.

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

UPDATE ON CHINA SCIVEST WTE PLANT

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the year ended 31 December 2019, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

CAPITAL EXPENDITURES

For the year ended 31 December 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). Yue Xing is a company jointly-owned by Mr. CT Lai, an executive Director of the Company and his associate, and is therefore a connected person of the Company. 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 whereby 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 annual report. 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 was completed in January 2020.

As at the date of this annual report, 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 annual report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

(e) On 12 March 2020, the Ministry of Finance of the PRC issued the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (Caibanjian [2020] No. 6) (關於開展可再生能源發電補貼項目清單審核有關工作的通知(財辦建[2020]6號)), which stated the conditions and registration procedures for receiving the national financial subsidy for the WTE plants. As at 31 December 2019, the national financial subsidies receivables for our operating WTE plants, which is going to register to this project list, were approximately HK$53,042,000. These balances have been included in the trade receivables as "unbilled receivables" in the consolidated balance sheet as at 31 December 2019.

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 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.

PRINCIPAL RISK AND UNCERTAINTIES

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

Major identified risks and uncertainties are listed as follows:

Risks	Nature
Strategy	
Business geographical concentration	If business is highly concentrated in one location and when natural hazards or market recession happen, the assets and properties of the Group may be subjected to serious losses and damages, and its overall business and operating results may be materially and adversely affected.
Public perception	The negative public perception of the WTE projects may materially and adversely affect the business, financial position and operating results.
Compliance	
Operation compliance	If the Group fails to obtain necessary certificates, licenses, permits or governmental approval or fails to comply with various laws and regulations in respect of its business operation, the business, financial position and operating results of the Group may be adversely affected. If there is any change to the permits, approval, laws or regulations, the Company may be required to pay additional costs or to make additional investments.
Concession arrangement	The projects under concession arrangement are subject to stringent contractual obligations and any non-compliance with any provisions of agreements may cause the Group to be penalized or agreements to be terminated.
Compliance with the Listing Rules and other relevant laws	If the Company fails to comply with the Listing Rules and or other relevant laws, its reputation and daily operation would be affected.
Operation	
Technological evolvement	The Group may not able to adapt technological evolvement or obtain approval to upgrade its technology for any technological evolvement.
Contractors	The Group rely on independent contractors to construct new projects. If contractors fail to duly complete their projects, it may materially and adversely affect our operating results. If the Group fails to manage its contractors in an appropriate manner, it may differ the scope of work of the contractors from the scheduled targets and cause the final result to deviate from the strategy of the Group.
Operational efficiency	The assets and operation of the Group may be exposed to various interferences and risks, which may cause our operation performance falling below the anticipated efficiency level and lead to an adverse effect on the Group.
Equipment maintenance and failure	The Group heavily rely on machinery and equipment for its daily operation. If parts of equipment are required for replacement, and when it is difficult to or failed to find suitable parts of equipment for replacement, or when malfunction equipment or failure procedure occurs, or when human errors and accidents appear, it may materially or adversely affect the operation of the Group.
Finance	
Financial budget	The Group is exposed to various risk factors and operational risks, which may lead to unexpected costs and over-expenditure (e.g. the fines imposed due to damages or losses suffered by third parties during the normal course of business).

CORPORATE GOVERNANCE REPORT

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

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

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

THE BOARD

Role of the Board

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

Board composition

During the year ended 31 December 2019 and up to the date of this annual report, the Board comprises the following directors:

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

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

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

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 46 to 49 of this annual report.

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

Chairlady, Deputy Chairman and Chief Executive Officer

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

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

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

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

Independence of the Independent Non-executive Directors

During the year ended 31 December 2019 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. By 31 December 2019, no independent non-executive Director has served the Company for more than 9 years.

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

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

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

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2019.

BOARD AND BOARD COMMITTEE MEETINGS

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

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

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

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

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

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

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

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

During the year, the Board held a total of 8 meetings. Each Director's attendance record is set out as follow:

	Number of attendance/meeting held in 2019					
Name of Directors	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General meeting
Lee Wing Yee Loretta	8/8	—	—	—	1/1	1/1
Lai Kin Man	8/8	—	—	—	—	1/1
Yuan Guozhen	8/8	—	—	—	—	1/1
Lai Chun Tung	8/8	—	—	—	—	1/1
Feng Jun	8/8	—	—	—	—	1/1
Lui Ting Cheong Alexander	8/8	2/2	—	—	—	1/1
Lai Yui	8/8	—	—	—	—	1/1
Sha Zhenquan	8/8	2/2	1/1	1/1	1/1	1/1
Chan Kam Kwan Jason	8/8	2/2	1/1	1/1	1/1	1/1
Chung Wing Yin	8/8	2/2	1/1	1/1	1/1	1/1
Chung Kwok Nam	8/8	—	—	—	—	1/1

THE COMMITTEES OF THE BOARD

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

AUDIT COMMITTEE

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

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

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019.

During the year, the audit committee held 2 meetings in March and August 2019, the agenda of which is set out below:

— Reviewing annual results of 2018, annual report of 2018, interim results of 2019 and interim report of 2019;

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

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

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

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

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

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

EXTERNAL AUDITOR

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2019 AGM and there was no change of the auditors of the Company for the preceding three years. For the year ended 31 December 2019, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2019 **HK$'000**	2018 HK$'000
Fee for audit services	**3,000**	3,000
Fee for non-audit services	**350**	—

REMUNERATION COMMITTEE

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

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

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

— Reviewing the remuneration adjustments of senior management in 2019;

— Determining the policy for the remuneration of executive Directors, confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2018; and

— Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2019.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2019 is set out below:

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

NOMINATION COMMITTEE

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

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

NOMINATION PROCEDURES AND PROCESS

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

- For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.
- For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.
- A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the Listing Rules.
- A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his or her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as may be considered relevant to his or her proposed election; and (ii) the written consent by that person to the publication of his or her personal data provided pursuant to (i) immediately above.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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

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

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

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

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

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

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

The current Board composition was also evaluated to, among other things, the age, gender, cultural and educational background and professional experience of each Directors against the Company's business model and specific needs.

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

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

During the year, the nomination committee held a meeting in March and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Mr. Lai Kin Man, Mr. Feng Jun, Mr. Lui Ting Cheong Alexander and Mr. Chung Kwok Nam, and advising the Board on the re-election of such retiring Directors at the 2020 AGM. Also, the nomination committee reviewed the structure, size and composition of the Board and assessed the independence of independent non-executive Directors.

CORPORATE GOVERNANCE COMMITTEE

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

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

DIRECTORS RESPONSIBILITY IN FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

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

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

COMPANY SECRETARY

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 49 of this annual report.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

DIVIDEND POLICY

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

2019 ANNUAL GENERAL MEETING

At the 2019 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during 2019.

COMMUNICATION WITH SHAREHOLDERS

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

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

— The Company is committed to improve its investor relations. During the year 2019 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;

— The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 161 in the corporate information of this annual report;

— The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2019 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk); and

— The Company's notice of 2020 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

CONSTITUTIONAL DOCUMENTS

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS' PROFILE

Executive Directors

Ms. Lee Wing Yee Loretta (李詠怡), aged 45, was appointed as a Director on 28 January 2014 and re-designated as an executive Director and the chairlady of our Company on 24 September 2014, and is also a director of certain subsidiaries of the Company. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee served as an officer of the finance and human resource department of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1997 to September 2012 and the last position she held was manager of the finance and human resource department. The principal business of Dongguan Sanyang Industrial Development Co., Ltd included the trading of heavy oil. Ms. Loretta Lee was also appointed as a director of Johnson (Stock Code: 1955) on 9 July 2018 and was re-designated as a non-executive director on 24 January 2019. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), aged 40, was appointed as a Director on 10 February 2014 and re-designated as an executive Director and the deputy chairman of our Company on 24 September 2014. He has been a director of Eco-Tech since June 2003 and a director of Kewei since October 2011. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Before founding our Group, Mr. KM Lai worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1998 to October 2002 and was responsible for business development. He served as the legal representative, chairman and general manager of Guangdong Canvest Investments Company Limited (廣東粵豐投資有限公司) (formerly known as Dongguan Canvest Industrial Investments Limited (東莞市粵豐實業投資有限公司)) from November 2002 to September 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

Mr. Yuan Guozhen (袁國楨), aged 54, was appointed as an executive Director on 24 September 2014. Mr. Yuan is the Chief Executive Officer of our Group. He is responsible for executing the overall strategies and managing the daily operation of our Group. Mr. Yuan is a director of Eco-Tech since June 2003 and a director and general manager of Kewei since October 2011. He is also the legal representative and director of Zhanjiang Canvest since its establishment. Mr. Yuan is also a director or legal representative of certain subsidiaries of the Company. He served as the executive deputy general manager of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1995 to July 2004 and was mainly responsible for assisting the general manager in the operation and management of the company. Mr. Yuan served as general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)) from July 2004 to September 2008. He served as the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. The principal business of Dongguan China Power New Energy Heat and Power Company Limited, a subsidiary of China Power Clean Energy Development Company Limited ("CPCED"), includes natural gas power generation. Yunnan Shuang Xing Green Power Company Limited is also a subsidiary of CPCED and its principal business includes generation and sale of electricity. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in June 2009.

Mr. Lai Chun Tung (黎俊東), aged 45, was appointed as an executive Director on 24 September 2014. Mr. CT Lai is the legal representative, chairman and general manager of Eco-Tech since August 2007, a legal representative and director of Kewei since February 2009, a director of Zhanjiang Canvest since its establishment in April 2013 and the legal representative, director and manager of Canvest Yuezhan Environmental Investment (Guangdong) Company Limited since its establishment in February 2017. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Since August 2017, Mr. CT Lai was a director of Dongguan Investment Group Company Limited (東莞民營投資集團有限公司). Mr. CT Lai is a member of the 10th, 11th and 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), and a member of the 11th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省東莞市委員會) and a standing member of the 12th and the 13th Dongguan Committee of Chinese People's Political Consultative Conference. He resigned as a standing member of Dongguan Committee of Chinese People's Political Consultative Conference in January 2019. Mr. CT Lai has worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) since September 1997 and is currently its executive director and manager. He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2007 and obtained a DBA degree from IPAG Business School in July 2018. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

Non-executive Directors

Mr. Feng Jun (馮駿), aged 56, is the chief representative of the Shanghai Representative Office of SIHL, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 363), an executive director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK. SG) since December 2009 and listed on the Main Board of Hong Kong Stock Exchange since March 2018 (stock code: 807), a vice president of SIIC Management (Shanghai) Ltd, and a chief executive officer of Shanghai overseas company. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics in 1987. Mr. Feng was an assistant chief executive officer and the chief investment officer of SIHL, a deputy manager of the trust department of Shanghai International Trust Co., a director and vice president of SIIC Investment Company Limited and a director and deputy general manager of The Tien Chu (Hong Kong) Company Limited. He has over 30 years' experience in capital markets operation.

Mr. Lui Ting Cheong Alexander (呂定昌), aged 40, was appointed as a non-executive Director on 24 September 2014. He is a managing director of Olympus Capital Holdings Asia where he co-heads the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since October 2008. He has been a director of Dongjin Green Tech Holdings Co., Ltd, a leading manufacturer of recycled polyester staple fiber, filamenx, and woven fabric using recycled plastics in China since August 2018. He has also been the director of Li Tong EnviroTech Holdings Limited, a leading global reverse supply chain service provider to technology, electronics, and telecom sectors since November 2015. From July 2009 to March 2010, Mr. Lui served as the interim chief financial officer of Zhaoheng Hydropower Holdings Limited. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till August 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in May 2001.

Mr. Lai Yui (黎叡), aged 45, was appointed as a non-executive Director on 24 September 2014. He has been employed by various subsidiaries of BOC International Holdings Limited as managing director since January 2013 and is currently serving as the Chief Executive Officer of CITP Advisor (Hong Kong) Ltd. Before joining BOC International Holdings Limited, he served as a director of Temasek Holdings (Private) Limited since June 2007. Mr. Lai graduated from University of Pennsylvania with a bachelor of science degree and a bachelor of arts degree (both magna cum laude) in May 1997.

Independent Non-executive Directors

Professor Sha Zhenquan (沙振權), aged 60, was appointed as an independent non-executive Director on 7 December 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Sha was engaged as a counselor of Guangdong Province by Guangdong Provincial Government since March 2019. Professor Sha has been an independent non-executive director of China Qinfa Group Limited (中國秦發集團有限公司) (stock code: 866) since September 2018. He was an independent director of Shenzhen Noposion Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215) from December 2009 to December 2015 and an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014. He is an independent director of Dongling International Investment Co., Ltd. (廣州東淩國際投資股份有限公司) (formerly known as Dongling Grain and Oil Co., Ltd. (廣州東凌糧油股份有限公司)) (stock code: 000893) and Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319), which are companies listed on the Shenzhen Stock Exchange. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in December 1982, a master's degree in engineering from South China University of Technology (華南理工大學) in July 1991 and a doctor's degree in philosophy from City University of Hong Kong in November 2001.

Mr. Chan Kam Kwan Jason (陳錦坤), aged 46, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and secretary of Brockman Mining Limited (Stock Code: 0159). He is the company secretary of Frontier Services Group Limited (Stock Code: 0500). He is the company secretary of Concord New Energy Group Limited (Stock Code: 0182). He had been the executive director and company secretary of Lajin Entertainment Network Group Limited (Stock Code: 8172) until October 2018. He was appointed as the independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) from November 2017. Each of Brockman Mining Limited, Frontier Services Group Limited, Concord New Energy Group Limited, Lajin Entertainment Network Group Limited and 1957 & Co. (Hospitality) Limited is a company listed on the Hong Kong Stock Exchange. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia.

Mr. Chung Wing Yin (鍾永賢), aged 42, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in August 2002 and a solicitor of the Supreme Court of England and Wales in October 2003, respectively. He is a partner of Chungs Lawyers and has over ten years' experience in legal professional industry. Before founding Chungs Lawyers, Mr. Chung worked at several Hong Kong law firms Mr. Chung's practice areas include general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. He is the independent non-executive director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock Code: 6122) and CBK Holdings Limited (Stock Code: 8428). Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in December 1999 and December 2004, respectively. Mr. Chung was appointed as the chairman of the Appeal Tribunal Panel (Buildings Ordinance) by the government of the Hong Kong Special administrative Region in December 2018 and he was also appointed as a China Appointed Attesting Officer (Hong Kong) by the Ministry of Justice, the PRC in January 2019.

Mr. Chung Kwok Nam (鍾國南), aged 68, has over 40 years' experience in banking and management. He was a zone manager of Industrial & Commercial Bank of China (Asia) Limited ("ICBC Asia") until his retirement in January 2013. Before joining ICBC Asia, he was a branch manager of The Hongkong and Shanghai Banking Corporation Limited. He graduated in Pui Chung College in 1971.

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

SENIOR MANAGEMENT'S PROFILE

Mr. Song Lanqun (宋蘭群), aged 52, joined our Group in February 2004 and was appointed as vice president and chief engineer of our Group on 24 September 2014 and is responsible for production operation and production safety of our Group. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Mr. Song worked at Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) as deputy general manager and chief engineer from February 1997 to February 2004. The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in July 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in July 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in December 2004.

Mr. Chen Bo (陳波), aged 44, joined Kewei in March 2009 and was appointed as vice president and chief engineer of our Group on 24 September 2014. He joined China Scivest from Kewei in June 2011 as executive deputy general manager and chief engineer. He became a director of China Scivest in December 2012. He is responsible for production operation and technology management of our Group. Mr. Chen first joined Eco-Tech as a chief engineer in March 2003. Mr. Chen served as a deputy general manager and chief engineer of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Power Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Chen worked at Kewei as the deputy general manager and the chief engineer from March 2009 to May 2011 and then joined China Scivest in June 2011 to lead the technological upgrade of China Scivest WTE Plant. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in July 2000 with a bachelor of engineering degree in thermal power engineering.

Ms. Wong Ling Fong Lisa (王玲芳), aged 46, joined our Group in June 2013 as the chief financial officer. She has also been our company secretary since 24 September 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong was appointed as a director of Johnson (Stock Code: 1955) on 9 July 2018 and was re-designated as a non-executive director on 24 January 2019. She was in charge of the investment department of Ng's International Investment Co. Ltd. from March 2009 to January 2012 and left Ng's International Investment Co. Ltd. as chief operation officer in the investment department. Ms. Wong was the financial controller responsible for financial planning and daily management of accounting department of Wah Yuet (Ng's) Group Holdings Limited from February 2005 to March 2009. She worked at KPMG from September 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in November 1998 with a degree of bachelor of arts in accountancy.

Ms. Guo Huilian (郭惠蓮), aged 50, joined our China Scivest in August 2011 and was appointed as vice president of our Group on 24 September 2014. She is responsible for the administration and procurement of our Group. Ms. Guo currently serves as a director and general manager of China Scivest since August 2011 and January 2013, respectively. She served as a deputy general manager of Dongguan Dongqiang Industrial Development Co., Ltd (東莞市東強實業發展有限公司) from June 1998 to August 2008 and was mainly involved in the management of construction business. Before joining China Scivest, Ms. Guo also served as a deputy general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)), a subsidiary of CPCED, from November 2008 and was mainly involved in managerial function and financial management of natural gas power generation business. The principal business of Dongguan China Power New Energy Heat and Power Company Limited includes natural gas power generation. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in July 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

Ms. Zhang Xunmei (張洵梅), aged 51, joined Kewei in March 2009 and was appointed as vice president of our Group on 25 August 2014. She is a director of China Scivest. She joined China Scivest from Kewei in June 2011 and serves as deputy general manager of China Scivest since June 2012. She is responsible for the financial management of China Scivest and Zhanjiang Canvest. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in December 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in May 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in November 2000. She worked at Dongguan Wufang Electrical Engineering Company Limited (東莞市五方電力工程有限公司) in various roles in relation to accounting from November 1996 to October 2005. Before joining our Group in March 2009, Ms. Zhang served as financial manager and the assistant to the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to February 2009. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes the generation and sale of electricity. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in July 1989 with an associate degree (大專學歷) in industrial moulding design.

Mr. Zhao Li (趙立), aged 51, joined our Group in 2015 and was appointed as vice president of our Group and is responsible for the construction of phase II of Eco-Tech. Mr. Zhao served as a deputy general manager and chief engineer of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司), a subsidiary of CPCED, from 2003 to 2014. He graduated from the Wuhan University in 1990 with a bachelor of engineering degree in thermal power engineering of power plant. He has over 27 years' experience in energy sector.

REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out in note 14(a) to the consolidated financial statements.

RESULTS AND OVERALL PERFORMANCE

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 71 of this annual report.

Business review of the Group during the year ended 31 December 2019, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 10 to 13 of this annual report. Management discussion and analysis are set out on pages 14 to 32 of this annual report.

DIVIDENDS

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 per ordinary share). If approved by shareholders, 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. Total dividend of 2019 was HK7.3 cents per share.

SHARES ISSUED IN THE YEAR

Details of the Shares issued in the year ended 31 December 2019 are set out in note 26 to the consolidated financial statements.

As at 31 December 2019, the Company had 2,440,579,169 Shares in issue.

As at the annual results announcement dated 19 March 2020 and the date of this annual report, the Company had 2,439,541,169 Shares in issue.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2019 are set out on page 75 of this annual report.

As at 31 December 2019, the reserves of the Company available for distribution to shareholders amounted to HK$2,807.6 million (2018: HK$2,762.4 million).

CHARITABLE DONATIONS

The total amount of charitable donations made by the Group during the year ended 31 December 2019 was HK$1.6 million.

USE OF PROCEEDS FROM THE PLACING OF SHARES TO TRUE VICTOR

To facilitate the growth and development by leveraging on the projects, technical, operation and financial edges of the Group and SIHL, the Company established a strategic partnership with SIHL and entered into a subscription agreement on 17 February 2017, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe for 300,000,000 ordinary Shares with nominal value of HK$3,000,000 at the subscription price of HK$3.5 per share. The closing price of the Shares was HK$3.84 on 17 February 2017, being the date of the subscription agreement. The subscription was completed on 28 March 2017, and net proceeds of approximately HK$1,018.0 million (after deducting related expenses) were received by the Group. The net price per subscription Share was approximately HK$3.4. The proceeds have been fully utilized as at 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019, the property, plant and equipment of the Group amounted to approximately HK$1,305.4 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 17 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2019 are set out in note 28 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2019 are set out in note 11 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

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

FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2019 and the 5 preceding financial years is set out on pages 159 to 160 of this annual report.

DIRECTORS

The list of Directors of the Board is set out on page 33 of this annual report and their biographical details are set out on pages 46 to 49 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Mr. KM Lai, Mr. Feng Jun, Mr. Lui Ting Cheong Alexander and Mr. Chung Kwok Nam will retire at the 2020 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 49 to 50 of this annual report.

DIVIDEND POLICY

Details of the dividend policy adopted by the Company is set out in the corporate governance report on pages 33 to 45 of this annual report.

CONNECTED TRANSACTION

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

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 Environment 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.

The Company has complied with all requirements for connected transactions under Chapter 14A of the Listing Rules in 2019.

CONTINUING CONNECTED TRANSACTION

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

Yue Xing is a company jointly-owned by Mr. CT Lai, an executive Director of the Company and his associate, and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. The annual rental income ("Annual Cap(s)") paid for the period from 13 July 2018 to 31 December 2018 is RMB3,500,000. The Annual Caps for the financial years ending 31 December 2019 and 2020 are RMB7,000,000 and RMB7,000,000 respectively, and the Annual Cap for the period from 1 January 2021 to 30 June 2021 is RMB3,500,000. For the year ended 31 December 2019, the rent paid by the Group to Yue Xing was HK$6,649,000 (2018: HK$2,739,000). The Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules.

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

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

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

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

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

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. Details of the movement in share options of the Company during the year ended 31 December 2019 are set out in note 26(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	To recognise, motivate and provide incentives to eligible participants who make contributions to the Group: 1. To motivate the eligible participants to optimise their performance and efficiency; and 2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: 1. Any full-time or part-time employees of any member of the Group; 2. Any consultant or advisor of any member of the Group; 3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group; 4. Any substantial shareholder of any member of the Group; and 5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2019, 19 March 2020 and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.07%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2019, the annual results announcement dated 19 March 2020 and as at the date of this annual report, respectively.
Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, 2015–2018 annual report, 2019 interim report and note 26(c) to the consolidated financial statements for further details.

Name or category of participant	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2019	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Directors									
Ms. Loretta Lee	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. Yuan Guozhen	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. CT Lai	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Subtotal	750,000	—	—	—	—	750,000			
Other employees working under continuous employment contracts									
In aggregate	2,250,000	—	—	—	—	2,250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	3,000,000	—	—	—	—	3,000,000			

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

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

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

The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.07%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2019, the annual result announcement dated 19 March 2020 and as at the date of this annual report, respectively.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 3 May 2019 to recognise the contributions by certain employees, consultants or advisers (collectively, the "Eligible Persons"). Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of Shares which may be awarded to an Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. Please refer to the announcement of the Company dated 3 May 2019 for further details.

On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares from Wise Power Investment Limited for the purpose of the Share Award Scheme. The Shares are held by the Trustee for the benefit of the Eligible Persons under the Trust. No Shares was granted or vested under Share Award Scheme as at 31 December 2019, 19 March 2020 and the date of this annual report. Please refer to the announcement of the Company dated 17 July 2019 for further details.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(1) Long positions in shares of the Company

	Number of Shares/Underlying Shares Held						
Name of Director	Personal interest	Number of underlying shares held under equity derivatives[2]	Spouse interests	Founder of a discretionary trust[1]	Beneficiary of trust	Total interests[4]	Total interests as % of the issued share capital
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	—	1,337,491,837	54.8%
Mr. KM Lai	—	—	10,000,000	1,335,615,837	—	1,345,615,837	55.1%
Mr. Yuan Guozhen	—	250,000	357,000	—	—	607,000	0.02%
Mr. CT Lai	—	250,000[3]	1,626,000	—	1,335,615,837	1,337,491,837	54.8%
Professor Sha Zhenquan	100,000	—	—	—	—	100,000	0.0%
Mr. Chung Kwok Nam	80,000	—	—	—	—	80,000	0.0%

Notes:

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

2. Details of share options held by the directors are shown in page 57.

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

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

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

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

Note:

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

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

So far as is known to the Directors or chief executives of the Company, as at 31 December 2019, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO; or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,335,615,837[1]	—	54.7%
VISTA Co	Interest of controlled corporation	1,335,615,837[2]	—	54.7%
Century Rise	Interest of controlled corporation	1,335,615,837[3]	—	54.7%
Best Approach	Beneficial owner	1,335,615,837	—	54.7%
AEP Green Power, Limited	Beneficial owner	138,305,678	—	5.7%
SIHL	Interest in controlled corporation	430,253,000[4]	—	17.6%
Shanghai Industrial Investment (Holdings) Company Limited	Interest in controlled corporation	430,253,000[4]	—	17.6%
True Victor	Beneficial owner	430,253,000[4]	—	17.6%

Notes:

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

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

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

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 31 December 2019, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

EMPLOYEES AND REMUNERATION POLICIES OF THE GROUP

As at 31 December 2019, the Group had a total of 2,771 employees. The related employees' costs for the year ended 31 December 2019 amounted to HK$304.4 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

Details of Directors' remuneration and the five highest paid individuals of the Group during the year 2019 are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During 2019, the Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

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

The independent non-executive Directors have reviewed the compliance of the Controlling Shareholders with the deed of non-competition dated 10 December 2014 (the "Non-competition Deed"). The Controlling Shareholders of the Company have confirmed to the Company that they have complied with the non-competition undertaking under the Non-competition Deed in the year 2019.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed under the headings "Continuing Connected Transaction", no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

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

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

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details disclosed under the headings "Share Option Scheme" and "Directors' interests in shares, underlying shares and short positions" in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits (2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the largest and five largest customers of the Group accounted for less than 22% and 64% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 23% and 42% of purchases of the Group for the year, respectively.

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

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

Employees

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

Customers

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

Suppliers

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

Local regulatory authorities

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

MANAGEMENT CONTRACTS

In August 2016, the Group entered into a management agreement with counterparties, pursuant to which, the counterparties entrusted the Group for the management of the construction and operation of Zhongshan WTE plant. The management agreement was terminated upon the completion of the acquisition of the equity interests of Zhongshan Guangye.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 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)
		Highest (HK$)	Lowest (HK$)	(HK$'000)
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.

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 annual report.

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019 and 2018.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 33 to 45 of this annual report.

RISKS AND UNCERTAINTIES

The major risks and uncertainties faced by the Group are set out in the management and discussion analysis on page 32 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

Discussions of environmental policies of the Group and its performance for the year ended 31 December 2019 are set out in the Environmental, Social and Governance Report, which will be issued separately within the period as required by the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital being held by the public at all times during 2019 and up to the date of this report.

AUDIT COMMITTEE

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

RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 36 to the consolidated financial statements of this annual report.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2020 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2020 AGM.

EVENTS AFTER THE BALANCE SHEET DATE

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

On behalf of the Board

Lee Wing Yee Loretta
Chairlady

Hong Kong, 19 March 2020

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 158, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction revenue arising from service concession arrangements Refer to notes 4 (Critical accounting estimates and judgements) and note 5 (Revenue and segment information) to the consolidated financial statements. The Group entered into several service concession arrangements with local government authorities in respect of its waste-to-energy projects. These arrangements are accounted for with reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements. The Group acts as a service provider which constructs infrastructure used to provide waste-to-energy services and operates and maintains those infrastructure for a specified period of time under the respective service concession arrangements. Revenue from the construction services is recognised over time with reference to the construction costs incurred as a percentage of the total estimated construction costs for each contract plus an expected mark-up margin. The Group recognised construction revenue of HK$2,014,086,000 from these arrangements for the year ended 31 December 2019, representing 51% of the Group's total revenue. We focused on this area because significant management judgement is involved to determine the estimated total construction costs, percentage of completion and mark-up margin of the Group's project.	In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We performed an evaluation of the judgments made by management, whereby we discussed the status of projects with management and examined project documentation including status reports prepared internally by project managers or externally by contractors as applicable. We compared the estimated construction costs for each project under construction phase with reference to the actual costs incurred for completed projects of comparable energy output and combustion capacity. We also circulated independent confirmations to major contractors to confirm the actual costs incurred on a sample basis. The Group has engaged an independent valuer to assist management to estimate the mark-up margin, with reference to gross margin of listed companies which are engaged in similar business of the Group. We assessed the competency, capability and objectivity of the independent valuer by considering its qualifications, relevant experience and relationship with the Group. We also discussed with the independent valuer and management to understand the basis of selection and evaluated the reasonableness of the mark-up margin by cross-checking to publicly available financial information of those comparable companies. Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of construction revenue arising from service concession arrangement are supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**3,952,216**	3,325,894
Cost of sales	6	**(2,686,690)**	(2,228,802)
Gross profit		**1,265,526**	1,097,092
General and administrative expenses	6	**(241,915)**	(228,299)
Other income	7	**155,317**	130,290
Other losses, net	8	**(7,832)**	(8,830)
Operating profit		**1,171,096**	990,253
Interest income	11	**7,094**	6,146
Interest expense	11	**(211,277)**	(176,136)
Interest expense, net		**(204,183)**	(169,990)
Share of net profits of associates and a joint venture	15	**54,770**	32,004
Profit before income tax		**1,021,683**	852,267
Income tax expense	12	**(129,632)**	(97,912)
Profit for the year		**892,051**	754,355
Attributable to:			
Equity holders of the Company		**892,622**	754,364
Non-controlling interests		**(571)**	(9)
		892,051	754,355
Earnings per share			
— basic (expressed in HK cents per share)	13	**36.6**	30.7
— diluted (expressed in HK cents per share)	13	**36.6**	30.7

The notes on pages 79 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

The notes on pages 79 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	—	136,324
Right-of-use assets	21	139,288	—
Property, plant and equipment	17	1,305,361	1,391,567
Intangible assets	18	7,112,119	4,962,118
Interests in associates and a joint venture	15	774,433	437,328
Deferred tax asset	20	11,163	—
Long-term deposits and prepayments	23	621,026	630,684
Receivables under service concession arrangements	19	1,336,113	1,339,602
		11,299,503	8,897,623
Current assets			
Inventories	22	6,619	5,725
Other receivables, deposits and prepayments	23	533,980	329,151
Receivables under service concession arrangements	19	103,485	101,050
Trade and bills receivables	23	465,916	260,323
Restricted deposits	24	36,937	6,949
Cash and cash equivalents	25	1,020,327	1,317,431
		2,167,264	2,020,629
Total assets		13,466,767	10,918,252
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	24,405	24,549
Share premium	26	2,644,040	2,695,700
Other reserves	26	437,600	494,227
Retained earnings		2,717,222	2,078,971
		5,823,267	5,293,447
Non-controlling interests		199,440	1,110
Total equity		6,022,707	5,294,557

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	28	**4,561,520**	3,616,936
Lease liabilities	30	**1,073**	—
Deferred income tax liabilities	20	**537,757**	392,074
Deferred government grants	31	**105,954**	99,761
Other non-current liabilities		**5,109**	4,350
Other payables	29	**177,244**	172,238
		5,388,657	4,285,359
Current liabilities			
Trade and other payables	29	**1,179,169**	796,012
Current income tax liabilities		**46,332**	25,635
Bank borrowings	28	**815,437**	511,867
Lease liabilities	30	**6,794**	—
Deferred government grants	31	**7,671**	4,822
		2,055,403	1,338,336
Total liabilities		**7,444,060**	5,623,695
Total equity and liabilities		**13,466,767**	10,918,252
Net current assets		**111,861**	682,293
Total assets less current liabilities		**11,411,364**	9,579,916

The consolidated financial statements on pages 71 to 158 were approved by the Board of Directors on 19 March 2020 and were signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

The notes on pages 79 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to equity holders of the Company										
	Note	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 26)	Capital reserve HK$'000 (Note 26)	Statutory reserve HK$'000 (Note 26)	Other reserve HK$'000 (Note 26)	Share option reserve HK$'000 (Note 26)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018		24,553	2,697,306	704,944	146,275	(140,489)	5,834	(22,225)	1,474,108	4,890,306	—	4,890,306
Comprehensive income												
Profit/(loss) for the year		—	—	—	—	—	—	—	754,364	754,364	(9)	754,355
Other comprehensive loss												
Currency translation differences		—	—	—	—	—	—	(217,975)	—	(217,975)	—	(217,975)
Total comprehensive income for the year		—	—	—	—	—	—	(217,975)	754,364	536,389	(9)	536,380
Appropriation of statutory reserve		—	—	—	53,743	—	—	—	(53,743)	—	—	—
Dividend approved in respect of the previous year		—	—	—	—	—	—	—	(49,107)	(49,107)	—	(49,107)
Interim dividend declared and paid	32	—	—	—	—	—	—	—	(46,651)	(46,651)	—	(46,651)
Buy-back of ordinary shares	26	(4)	(1,606)	—	—	—	—	—	—	(1,610)	—	(1,610)
Acquisition of non-controlling interest		—	—	—	—	(35,880)	—	—	—	(35,880)	—	(35,880)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	—	1,119	1,119
Balance at 31 December 2018		24,549	2,695,700	704,944	200,018	(176,369)	5,834	(240,200)	2,078,971	5,293,447	1,110	5,294,557
Representing:												
2018 proposed final dividend	32								66,283			
Other retained earnings									2,012,688			
									2,078,971			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to equity holders of the Company												
	Note	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 26)	Treasury shares HK$'000 (Note 26)	Shares held under share award scheme HK$'000 (Note 27)	Capital reserve HK$'000 (Note 26)	Statutory reserve HK$'000 (Note 26)	Other reserves HK$'000 (Note 26)	Share option reserve HK$'000 (Note 26)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019, as originally presented		24,549	2,695,700	—	—	704,944	200,018	(176,369)	5,834	(240,200)	2,078,971	5,293,447	1,110	5,294,557
Change in accounting policy	2.1.1(a)	—	—	—	—	—	—	—	—	—	(144)	(144)	—	(144)
Restated total equity as at 1 January 2019		24,549	2,695,700	—	—	704,944	200,018	(176,369)	5,834	(240,200)	2,078,827	5,293,303	1,110	5,294,413
Comprehensive income														
Profit for the year		—	—	—	—	—	—	—	—	—	892,622	892,622	(571)	892,051
Other comprehensive (loss)/ income														
Currency translation differences		—	—	—	—	—	—	—	—	(125,460)	—	(125,460)	69	(125,391)
Total comprehensive income for the year		—	—	—	—	—	—	—	—	(125,460)	892,622	767,162	(502)	766,660
Appropriation of statutory reserve		—	—	—	—	—	109,845	—	—	—	(109,845)	—	—	—
Dividend approved in respect of the previous year	32	—	—	—	—	—	—	—	—	—	(66,283)	(66,283)	—	(66,283)
Interim dividend declared and paid	32	—	—	—	—	—	—	—	—	—	(78,099)	(78,099)	—	(78,099)
Buy-back of ordinary shares	26	(144)	(51,660)	(3,499)	—	—	—	—	—	—	—	(55,303)	—	(55,303)
Shares purchased under share award scheme	27	—	—	—	(37,513)	—	—	—	—	—	—	(37,513)	—	(37,513)
Acquisition of a subsidiary	37	—	—	—	—	—	—	—	—	—	—	—	196,599	196,599
Capital injection from non-controlling interests	38	—	—	—	—	—	—	—	—	—	—	—	2,233	2,233
Balance at 31 December 2019		24,405	2,644,040	(3,499)	(37,513)	704,944	309,863	(176,369)	5,834	(365,660)	2,717,222	5,823,267	199,440	6,022,707
Representing:														
2019 proposed final dividend	32										100,021			
Other retained earnings											2,617,201			
											2,717,222			

The notes on pages 79 to 158 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before income tax		**1,021,683**	852,267
Adjustment for:			
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)
Share of net profits of associates and a joint venture		**(54,770)**	(32,004)
Depreciation of property, plant and equipment		**124,364**	120,167
Amortisation of intangible assets		**196,379**	159,853
Amortisation of right-of-use assets		**10,198**	—
Amortisation of land use rights		**—**	3,665
Interest income		**(7,094)**	(6,146)
Interest expense		**211,277**	176,136
Exchange differences		**11,100**	5,515
(Gain)/loss on disposals of property, plant and equipment		**(107)**	3,315
Loss on dilution of interest in an associate		**15,289**	—
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)			
— Non-current prepayments		**27,297**	183,975
— Inventories		**(1,040)**	(2,545)
— Trade and bills receivables, other receivables and receivables under service concession arrangements		**(232,081)**	42,880
— Trade and other payables		**396,832**	138,168
Net cash used in operations		**(370,204)**	(116,957)
Income tax paid		**(42,876)**	(36,866)
Net cash used in operating activities		**(413,080)**	(153,823)
Cash flows from investing activities			
Deposits paid for investments		**(100,744)**	(167,789)
Payments for purchase of property, plant and equipment		**(91,626)**	(66,744)
Proceeds from disposals of property, plant and equipment	33(b)	**194**	1,024
(Increase)/decrease in restricted deposits		**(30,726)**	7,436
Dividend from an associate		**5,538**	—
Acquisition of subsidiaries		**(91,745)**	(150,597)
Acquisition of a joint venture		**—**	(17,815)
Acquisition of associates		**(7,446)**	(295,935)
Capital contribution to a joint venture		**(16,914)**	(15,786)
Capital contribution and loan to associates		**(257,451)**	—
Interest received from bank deposits		**4,478**	6,146
Interest received from an associate		**2,616**	—
Net cash used in investing activities		**(583,826)**	(700,060)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Proceeds from borrowings	33(a)	**2,261,603**	1,658,302
Repayments of borrowings	33(a)	**(1,055,194)**	(527,385)
Interest paid		**(224,771)**	(171,601)
Principal elements of lease payments	33(a)	**(6,511)**	—
Interest elements of lease payments		**(485)**	—
Acquisition of non-controlling interest		**—**	(35,880)
Purchase of shares under share award scheme		**(37,513)**	—
Dividends paid to equity holders of the Company		**(144,382)**	(95,758)
Payments for share bought back		**(55,303)**	(1,610)
Prepayments for financing related services		**—**	(19,865)
Repayment of ex-shareholders' loans of a subsidiary		**—**	52,830
Capital contribution from non-controlling interests		**2,233**	1,119
Net cash generated from financing activities		**739,677**	860,152
Net (decrease)/increase in cash and cash equivalents		**(257,229)**	6,269
Cash and cash equivalents at beginning of year		**1,317,431**	1,347,803
Currency translation differences		**(39,875)**	(36,641)
Cash and cash equivalents at end of year		**1,020,327**	1,317,431

The notes on pages 79 to 158 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for 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 balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.25. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

(i) Practical expedients applied (Continued)

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

(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 As originally presented HK$'000	Adjustments on adoption of HKFRS 16 HK$'000	As at 1 January 2019 As restated HK$'000
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

(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:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(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	Definition of a Business	1 January 2020
Revised Conceptual Framework	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.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint venture and associates

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

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

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

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

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

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

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

Gains or losses on dilution of equity interest in an associate is recognised in the consolidated statement of profit or loss under other losses, net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

2.7 Land use rights

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

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

2.8 Intangible assets

(a) Goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(a) Goodwill (Continued)

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

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

(b) Concession right to a BOT WTE plant

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

(c) Other intangible assets

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

Their estimated useful lives are as follows:

Contract backlog	2 years
Brand name	15 years

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

2.9 Service concession arrangements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Service concession arrangements (Continued)

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

(a) Consideration given by the Grantor

(i) Service concession arrangements under intangible asset model

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

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

(ii) Service concession arrangements under hybrid model

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

(b) Construction and upgrade services

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

2.10 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets (Continued)

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

External sources of information

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

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

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

Internal sources of information

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

— those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iv) Impairment of financial assets

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

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

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

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

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

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

Management has closely monitored the credit qualities and the collectability of the trade and bills receivables and receivables under service concession arrangements. Trade and bills receivables and receivables under service concession arrangements in dispute are assessed individually for impairment allowance and it is determined whether specific provisions are required.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iv) Impairment of financial assets *(Continued)*

(b) Other financial asset carried at amortised cost

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

2.12 Offsetting financial instruments

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

2.13 Financial guarantee contracts

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

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

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

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

2.14 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Receivables

(a) Trade and other receivables

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

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

(b) Receivables under service concession arrangements

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

2.16 Cash and cash equivalents

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

2.17 Share capital and shares held under share award scheme

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

Consideration paid for shares held under share award scheme is deducted from equity attributable to the equity holders of the Company and disclosed as "shares held under share award scheme".

2.18 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings

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

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

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

2.20 Provisions

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax

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

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

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

(c) Offsetting

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

2.22 Revenue recognition

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

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

(i) Revenue from power sales

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

(ii) Rendering of waste treatment services

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(iii) Construction revenue from service concession arrangements

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

(iv) Finance income from service concession arrangements

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

(v) Rendering of environmental hygiene services

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

(vi) Management income

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

(vii) Contract assets and contract liabilities

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

The Group recognised its contract assets under receivables under service concession arrangements in the consolidated balance sheet.

(viii) Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(ix) Government grants

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

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

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

2.23 Employee benefits

(i) Pension obligations

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

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

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

(ii) Employee leave entitlement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

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

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

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

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

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

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

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

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

2.24 Borrowing costs

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

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

2.25 Leases

As explained in note 2.1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.1.1(a).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of rentals of offices for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, such as term, country, currency and security.

Lease payments are allocated between principal and interest. The interest is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

3.1 Market risk

(i) Foreign exchange risk

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

(ii) Credit risk

(i) Risk Management

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

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

The Group has concentration of credit risk. As at 31 December 2019, 27% (2018: 39%) of the total trade and bills receivables and receivables under services concession arrangements were due from the five largest customers.

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

(ii) Impairment of financial assets

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

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade and bills receivables and receivables under service concession arrangements

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

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

The expected loss rates are based on the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the PRC government default rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor as majority of the Group's customers are government authorities. As at 31 December 2019, the ECL in respect of these assessed trade and bills receivable and receivables under service concession arrangements do not have a material impact to the Group's consolidated financial statements (2018: same).

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

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

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

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK$413,080,000 (2018: HK$153,823,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK$1,369,714,000 (2018: HK$1,271,943,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK$956,634,000 (2018: HK$1,118,120,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iii) Liquidity risk (Continued)

The tables below analyse the Group's contractual maturities for its non-derivative financial liabilities (excluding statutory liabilities) as at 31 December 2019 and 2018. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contracted cash flows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2019					
Bank borrowings (including interest)	**1,072,418**	**1,232,570**	**2,716,364**	**1,280,532**	**6,301,884**
Lease liabilities	**7,012**	**2,893**	**—**	**—**	**9,905**
Trade and other payables	**1,072,511**	**177,244**	**—**	**—**	**1,249,755**
	2,151,941	**1,412,707**	**2,716,364**	**1,280,532**	**7,561,544**
As at 31 December 2018					
Bank borrowings (including interest)	690,329	784,469	2,269,864	1,116,413	4,861,075
Trade and other payables	681,085	172,238	—	—	853,323
	1,371,414	956,707	2,269,864	1,116,413	5,714,398

(iv) Interest rate risk

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

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

For the year ended 31 December 2019, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and retained earnings would have been approximately HK$52,005,000 (2018: HK$38,037,000) lower/higher as a result of higher/lower interest expense on bank borrowings. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to cash flow interest rate risk for bank borrowings in existence at the balance sheet date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Capital risk management

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

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

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

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

	2019 **HK$'000**	2018 HK$'000
Bank borrowings (Note 28)	**5,376,957**	4,128,803
Less: cash and cash equivalents (Note 25)	**(1,020,327)**	(1,317,431)
Net debt	**4,356,630**	2,811,372
Total equity	**6,022,707**	5,294,557
Total capital	**10,379,337**	8,105,929
Net debt to total capital ratio	**42%**	35%

As at 31 December 2019, bank borrowings of HK$2,987,889,000 (2018: HK$2,054,608,000) are subject to the fulfilment of covenants relating to certain financial ratios. If the Group were to breach the covenants, bank borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Fair value

The management considered the carrying amounts of financial assets and liabilities approximated their fair values as at 31 December 2019 and 2018. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

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

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

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

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

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

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

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

As at 31 December 2019 and 2018, the Group does not have any financial assets and liabilities which are measured at fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Service concession arrangements

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

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

5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2019, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2018: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the 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:

	2019 **HK$'000**	2018 HK$'000
Revenue from power sales	**1,263,882**	1,129,326
Waste treatment fee	**493,028**	434,365
Construction revenue arising from BOT arrangement	**2,014,086**	1,696,409
Finance income arising from BOT arrangement	**75,445**	65,794
Environmental hygiene services income	**105,775**	—
	3,952,216	3,325,894

5 REVENUE AND SEGMENT INFORMATION (Continued)

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, HK782,729,000 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$787,514,000, 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.

6 EXPENSES BY NATURE

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

	2019 HK$'000	2018 HK$'000
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 (Note 9)	304,442	228,395
Depreciation and amortisation		
— Property, plant and equipment (Note 17)	124,364	120,167
— Intangible assets (Note 18)	196,379	159,853
— Right-of-use assets (Note 21)	10,198	—
— Land use rights (Note 16)	—	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.

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7 OTHER INCOME

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

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.

8 OTHER LOSSES, NET

	2019 HK$'000	2018 HK$'000
(Gain)/loss on disposals of property, plant and equipment (Note 33(b))	**(107)**	3,315
Exchange loss, net	**11,100**	5,515
Others (Note 15(v))	**(3,161)**	—
	7,832	8,830

9 EMPLOYEE BENEFIT EXPENSES

	2019 HK$'000	2018 HK$'000
Wages and salaries	**254,577**	188,446
Pension costs — defined contribution plans	**15,784**	11,606
Welfare and other expenses	**34,081**	28,343
Total	**304,442**	228,395

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors' emoluments

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	2,067	636	18	2,721
Mr. Lai Kin Man	—	600	—	18	618
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,616	750	52	2,418
Mr. Lai Chun Tung	—	3,249	1,538	18	4,805
Non-executive directors:					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	1,140	7,532	2,924	106	11,702
Year ended 31 December 2018					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	3,165	636	18	3,819
Mr. Lai Kin Man	—	612	—	18	630
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,585	881	49	2,515
Mr. Lai Chun Tung	—	4,323	1,690	18	6,031
Non-executive directors:					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	1,140	9,685	3,207	103	14,135

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2019 (2018: same).

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

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2019 (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: Nil).

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

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

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

During the year ended 31 December 2019, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2018: Nil).

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

Save for the related party transaction disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted as at 31 December 2019 or at any time during the year ended 31 December 2019 (2018: Nil).

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

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2019 (2018: 3), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2019 (2018: 2) are as follows:

	2019 HK$'000	2018 HK$'000
Wages and salaries	4,826	5,458
Pension costs — defined contribution plans	18	18
Welfare and other expenses	705	140
Total	5,549	5,616

The emoluments fell within the following bands:

	2019	2018
HK$2,000,000 – HK$2,999,999	1	1
HK$3,000,000 – HK$3,999,999	1	1

During the year ended 31 December 2019, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2018: same).

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For the year ended 31 December 2019

11 INTEREST INCOME AND EXPENSE

	2019 HK$'000	2018 HK$'000
Interest expense on bank borrowings	(236,096)	(181,250)
Interest expense on lease liabilities	(485)	—
Less: amount capitalised on qualifying assets	25,304	5,114
	(211,277)	(176,136)
Interest income from bank deposits	4,478	6,146
Interest income from an associate (Note 15(iii))	2,616	—
Interest expense, net	(204,183)	(169,990)

Interest expense on bank borrowings were capitalised at the weighted average rate of its general borrowings of approximately 5% (2018: 4%).

12 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current income tax		
PRC enterprise income tax	64,547	32,205
Hong Kong profits tax	—	—
Total current income tax	64,547	32,205
Deferred income tax (Note 20)	65,085	65,707
Income tax expense	129,632	97,912

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended 31 December 2019 and 2018. 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).

12 INCOME TAX EXPENSE (Continued)

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.

	Applicable tax rate	
Subsidiaries	**2019**	2018
Dongguan China Scivest Environmental Power Company Limited ("China Scivest")		
— phase 1 of its project	**25%**	12.5%
— phase 2 of its project	**0%**	0%
Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech")		
— phase 1 of its project	**12.5%**	12.5%
— phase 2 of its project	**0%**	0%
Zhanjiang Canvest Environmental Power Company Limited ("Zhanjiang Canvest")	**12.5%**	0%
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda")		
— phase 1 of its project	**12.5%**	12.5%
— phase 2 of its project	**0%**	0%
Laibin Canvest Environmental Power Company Limited ("Laibin Canvest")	**0%**	0%
Beiliu Canvest Environmental Power Company Limited ("Beiliu Canvest")	**0%**	0%
Lufeng Canvest Environmental Power Company Limited ("Lufeng Canvest")	**0%**	0%
Xinfeng Canvest Environmental Power Company Limited ("Xinfeng Canvest") (formerly known as "Jiangxi Xinfeng Kunyue Environmental Power Company Limited")	**0%**	25%

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For the year ended 31 December 2019

12 INCOME TAX EXPENSE (Continued)

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**1,021,683**	852,267
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**254,560**	218,764
Tax effect of:		
Income not taxable for tax purpose	**(14,284)**	(7,849)
Expenses not deductible for tax purpose	**26,627**	18,917
Preferential tax concession	**(137,271)**	(131,920)
Income tax expense	**129,632**	97,912

The weighted average applicable tax rate was 12.7% for the year ended 31 December 2019 (2018: 11.5%).

13 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company and weighted average number of ordinary shares in issue during the year and excluding treasury shares and shares held under share award scheme.

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

13 EARNINGS PER SHARE (Continued)

(b) Diluted

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

The Company has one (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.

14 SUBSIDIARIES

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below:

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Directly owned:				
Yi Feng Development Limited 億豐發展有限公司	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Indirectly owned:				
Anabell Hong Kong Limited 安貝爾香港有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Baoding Canvest Kewei Environmental Power Company Limited ("Baoding Canvest") 保定粵豐科維環保電力有限公司*	The PRC, limited liability company	RMB102,820,000/ RMB42,000,000 (note (a))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Beiliu Canvest Environmental Power Company Limited 北流粵豐環保電力有限公司*	The PRC, limited liability company	RMB176,750,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

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14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Canvest Environmental (China) Company Limited 粵豐環保(中國)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental (Overseas) Company Limited 粵豐環保(海外)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental Investment Company Limited (formerly known as "Canvest Environmental (Shanghai) Company Limited") 粵豐環境投資有限公司 (formerly known as "粵豐環保(上海)有限公司")	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental International Limited 粵豐環保國際有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of human resources and administrative services/Hong Kong
Canvest Kewei Environmental Investment (Guangdong) Company Limited ("Kewei") (formerly known as "Dongguan Kewei Environmental Power Company Limited") 粵豐科維環保投資(廣東)有限公司* (formerly known as "東莞科維環保投資有限公司*")	The PRC, limited liability company	RMB1,060,000,000	100%	Provision of MSW handling services and operation and management of WTE plant and investment holding/ the PRC

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited") 粵豐粵展環保投資 (廣東) 有限公司* (formerly known as "粵展環保投資 (廣東) 有限公司*")	The PRC, limited liability company	RMB250,000,000	100%	Investment holding/the PRC
Canvest Yuezhan Environmental Management (Guangdong) Company Limited 粵豐粵展環境管理(廣東)有限公司*	The PRC, limited liability company	RMB150,000,000/ RMB85,000,000	100%	Provision of transportation services and investment holding/the PRC
Canvest Yuezhan Environmental Technology (Guangdong) Company Limited ("Yuezhan Environmental Technology") 粵豐粵展環保科技(廣東)有限公司*	The PRC, limited liability company	RMB10,000,000/ RMB2,000,000 (note (b))	51%	Investment holding/the PRC
Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited 粵豐粵展智慧環衛服務(廣東)有限公司*	The PRC, limited liability company	RMB100,000,000/ RMB56,000,000	100%	Investment holding/the PRC
Celestial Jade Limited 天翠有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
China Green Power Holdings Limited 中國綠色能源控股有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong

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14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Dehong Canvest Environmental Power Company Limited ("Dehong Canvest") 德宏粵豐環保電力有限公司*	The PRC, limited liability company	RMB105,000,000/ RMB40,000,000 (note (c))	90%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司*	The PRC, limited liability company	RMB330,000,000/ RMB219,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Dongguan City Yuejia Power Equipment Company Limited 東莞市粵佳電力設備有限公司*	The PRC, limited liability company	RMB71,500,000	100%	Investment holding/the PRC
Dongguan Eco-Tech Environmental Power Company Limited 東莞市科偉環保電力有限公司*	The PRC, limited liability company	RMB400,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Fine Way Investments Limited 佳威投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Harbin Canvest Environmental Power Company Limited ("Harbin Canvest") 哈爾濱粵豐環保電力有限公司*	The PRC, limited liability company	RMB110,000,000/ RMB1,000,000 (note (d))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Jingjiang Canvest Environmental Power Company Limited 靖江粵豐環保電力有限公司*	The PRC, limited liability company	RMB169,880,000/ RMB80,000,000	80%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Laibin Canvest Environmental Power Company Limited (formerly known as "Laibin Zhongke Environmental Power Company Limited") 來賓粵豐環保電力有限公司* (formerly known as "來賓中科環保電力有限公司*")	The PRC, limited liability company	RMB261,500,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Lufeng Canvest Environmental Power Company Limited 陸豐粵豐環保電力有限公司*	The PRC, limited liability company	RMB188,160,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Maoming Canvest Environmental Power Company Limited ("Maoming Canvest") 茂名粵豐環保電力有限公司*	The PRC, limited liability company	RMB352,970,000/ RMB190,267,360 (note (e))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited 黔西南州興義市鴻大環保電力有限公司*	The PRC, limited liability company	RMB196,600,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qiandongnanzhou Liping Canvest Environmental Power Company Limited ("Liping Canvest") 黔東南州黎平粵豐環保電力有限公司*	The PRC, limited liability company	RMB75,840,000/ RMB1,000,000 (note (f))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

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14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司*	The PRC, limited liability company	RMB53,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Shaoguan Canvest Environmental Power Company Limited 韶關粵豐環保電力有限公司*	The PRC, limited liability company	RMB126,610,000/ RMB50,000,000 (note (g))	99.4%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Sichuan Jiajieyuan Environmental Technology Company Limited ("Sichuan Jiajieyuan") 四川佳潔園環保科技有限公司*	The PRC, limited liability company	RMB32,000,000/ RMB6,000,000	100%	Provision of cleaning and waste management service/the PRC
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Xinfeng Canvest Environmental Power Company Limited (formerly known as "Jiangxi Xinfeng Kunyue Environmental Power 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"*)	The PRC, limited liability company	RMB115,100,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinyi Canvest Environmental Power Company Limited 信宜粵豐環保電力有限公司*	The PRC, limited liability company	RMB134,010,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xuwen Canvest Environmental Power Company Limited ("Xuwen Canvest") 徐聞粵豐環保電力有限公司*	The PRC, limited liability company	RMB117,380,000/ RMB55,000,000 (note (h))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Year Charm Limited 偉年有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Zaozhuang Canvest Environmental Company Limited 棗莊粵豐環保有限公司*	The PRC, limited liability company	RMB50,000,000/ RMB20,289,608	100%	Provision of MSW handling services and operation and management of landfill/ the PRC

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2019 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") 棗莊中科環保電力有限公司*	The PRC, limited liability company	RMB507,452,000/ RMB359,760,840	51%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhanjiang Canvest Environmental Power Company Limited 湛江市粵豐環保電力有限公司*	The PRC, limited liability company	RMB194,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

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

Note (a): The paid-up capital of Baoding Canvest was increased to RMB62,000,000 on 6 January 2020.

Note (b): The paid-up capital of Yuezhan Environmental Technology was increased to RMB5,920,000 on 17 March 2020.

Note (c): The paid-up capital of Dehong Canvest was increased to RMB60,000,000 on 16 January 2020.

Note (d): The paid-up capital of Harbin Canvest was increased to RMB2,000,000 on 28 February 2020.

Note (e): The paid-up capital of Maoming Canvest was increased to RMB210,267,360 on 22 January 2020.

Note (f): The paid-up capital of Liping Canvest was increased to RMB7,000,000 on 17 February 2020.

Note (g): The paid-up capital of Shaoguan Canvest was increased to RMB100,000,000 on 18 February 2020.

Note (h): The paid-up capital of Xuwen Canvest was increased to RMB75,000,000 on 13 January 2020.

(b) Non-consolidation of entities

As at 31 December 2019, the Group owns equity interests of approximately 73.9% in Shanghai Shengong Environmental Protection Engineering Co., Ltd. ("上海神工環保股份有限公司") ("Shanghai Shengong"), which owns approximately 61.3% in Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited ("上海寶山神工生活廢物處置有限公司") ("Shanghai Baoshan"). Shanghai Shengong and Shanghai Baoshan were incorporated in the PRC. Shanghai Shengong owns the concession right to a WTE plant in Baoshan District, Shanghai. The directors have determined that they are not controlled entities of the Group because the Group is not exposed, and has no right, to variable returns from these entities and is not able to use its power over these entities to affect those returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 SUBSIDIARIES (Continued)

(c) Material non-controlling interests

Set out below is the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	Zaozhuang Zhongke 2019 HK$'000
Summarised statement of profit or loss	
Revenue	121,174
Profit for the period	17,255
Other comprehensive income	780
Total comprehensive income for the period	18,035
Summarised balance sheet	
Current assets	131,088
Current liabilities	(137,289)
Net current liabilities	(6,201)
Non-current assets	619,065
Non-current liabilities	(202,129)
Net non-current assets	416,936
Net assets	410,735
Accumulated non-controlling interests	196,716
Summarised cash flows	
Net cash used in operating activities	(88,269)
Net cash generated from investing activities	45
Net cash generated from financing activities	86,702
Net decrease in cash and cash equivalents	(1,522)

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates and a joint venture

Set out below are the associates and a joint venture of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation of registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest 2019 %	% of ownership interest 2018 %	Nature of relationship	Measurement method	Quoted fair value 2019 HK$'000	Quoted fair value 2018 HK$'000	Carrying amount 2019 HK$'000	Carrying amount 2018 HK$'000
Equity accounted investments									
Material associates and a joint venture:									
Hong Kong Johnson Holdings Co., Ltd. ("Johnson") 香港莊臣控股有限公司	Cayman Islands	30.75%	41%	Associate (a)	Equity method	112,238	—	181,955	192,260
Dongguan Xindongyue Environmental Company Limited ("Dongguan Xindongyue") 東莞市新東粵環保實業有限公司*	The PRC	35%	35%	Associate (b)	Equity method	—	—	152,196	130,695
Jianyang Canvest Environmental Power Company Limited ("Jianyang Canvest") 簡陽粵豐環保電力有限公司*	The PRC	50%	50%	Joint venture (c)	Equity method	—	—	147,612	114,373
Dongguan Xindongyuan Environmental Investment Company Limited ("Dongguan Xindongyuan") 東莞市新東元環保投資有限公司*	The PRC	49%	N/A	Associate (d)	Equity method	—	—	84,448	—
Immaterial associates:									
Shen County SIIC Environmental Energy Co. Ltd. ("Shen County SIIC") 莘縣上實環保能源有限公司*	The PRC	20%	N/A	Associate (e)	Equity method	—	—	1,195	—
SIIC Xangtze Delta Environmental Resources (Hong Kong) Limited ("SIIC Xangtze Delta") 上海實業環境長三角環保資源(香港)有限公司	Hong Kong	30%	N/A	Associate (f)	Equity method	—	—	95,397	—
Total equity accounted investments								662,803	437,328
Loan to an associate									
Dongguan Xindongyuan								111,630	—
Total interest in associates and a joint venture								774,433	437,328

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(a) Johnson is an investment holding company and the group is principally engaged in the provision of cleaning, janitorial and other related services for government, commercial, and industrial markets in Hong Kong.

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

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

(d) Dongguan Xindongyuan is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the concession right to a WTE plant in Machong Town, Dongguan City, Guangdong Province.

(e) Shen County SIIC is principally engaged in the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. Shen County SIIC was set up together with Shanghai Fudan Water Engineering Technology Co., Ltd., a subsidiary of the substantial shareholder of the Company, and 2 independent third parties.

(f) SIIC Xangtze Delta is an investment holding company incorporated in Hong Kong with SIIC Environment Tech (Hong Kong) Limited, a subsidiary of the substantial shareholder of the Company.

SIIC Xangtze Delta holds 60% of equity interest in Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd. ("上海上實寶金剛環境資源科技有限公司"), which owns the concession right to invest, construct and operate 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 ("Baoshan WTE Project").

Other than (a), all of the associates and joint venture are private entities and no quoted price are available.

(i) Commitments and contingent liabilities in respect of a joint venture and associates

	2019 HK$'000	2018 HK$'000
Capital contribution to a joint venture (Note)	**55,815**	74,185
Capital contribution to associates	**150,708**	—

Note: In January 2020, capital contribution from the Group of RMB20,000,000 (equivalent to HK$22,576,000) has been made to Jianyang Canvest.

There were no contingent liabilities in respect of a joint venture and associates as at 31 December 2019 (2018: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(ii) Summarised financial information for a joint venture

The tables below provide summarised financial information for the joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Jianyang Canvest	
	2019 HK$'000	2018 HK$'000
Summarised statement of profit and loss		
Revenue	**290,995**	—
Interest income	**—**	—
Depreciation and amortisation	**—**	—
Interest expenses	**—**	—
Income tax expenses	**10,544**	—
Profit/(loss) and total comprehensive income/(loss) for the year/period	**38,740**	(19)
Summarised balance sheet		
Cash and cash equivalents	**10,487**	9,857
Other current assets	**28,343**	83,953
Total current assets	**38,830**	93,810
Total non-current assets	**450,529**	177,620
Financial liabilities	**(124,456)**	(678)
Other current liabilities	**(1,259)**	—
Total current liabilities	**(125,715)**	(678)
Financial liabilities	**(16,990)**	—
Other non-current liabilities	**(51,430)**	(42,007)
Total non-current liabilities	**(68,420)**	(42,007)
Net assets	**295,224**	228,745
Group's share (in %)	**50%**	50%
Group's share (in HK$)	**147,612**	114,373
Goodwill	**—**	—
Carrying amount	**147,612**	114,373
Reconciliation to carrying amounts:		
Net assets as at 1 January	**114,373**	—
Acquisition	**—**	97,223
Capital contribution	**16,914**	15,786
Share of profit/(loss) for the year/period	**19,370**	(9)
Currency translation difference	**(3,045)**	1,373
Net assets as at 31 December	**147,612**	114,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(iii) Summarised financial information for associates

The tables below provide summarised financial information for those associates that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Johnson		Dongguan Xindongyue	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Summarised statement of profit and loss				
Revenue	**1,682,403**	1,053,740	**120,604**	156,001
Profit and total comprehensive income for the year/period	**12,853**	15,863	**86,904**	72,884
Summarised balance sheet				
Current assets	**649,546**	492,770	**208,998**	188,205
Non-current assets	**267,082**	226,847	**342,802**	372,985
Current liabilities	**(459,650)**	(388,683)	**(31,175)**	(98,858)
Non-current liabilities	**(26,188)**	(22,943)	**(85,977)**	(89,120)
Net assets	**430,790**	307,991	**434,648**	373,212
Group's share (in %)	**30.75%**	41%	**35%**	35%
Group's share (in HK$)	**132,468**	126,277	**152,126**	130,624
Goodwill	**49,487**	65,983	**70**	71
Carrying amount	**181,955**	192,260	**152,196**	130,695
Reconciliation to carrying amounts:				
Net assets as at 1 January	**192,260**	—	**130,695**	—
Acquisition	**—**	185,756	**—**	110,179
Dilution loss on interest in an associate (Note 15(v)(a))	**(15,289)**	—	**—**	—
Share of profit for the year/period	**4,984**	6,504	**30,416**	25,509
Dividend received from an associate	**—**	—	**(5,538)**	—
Currency translation difference	**—**	—	**(3,377)**	(4,993)
Net assets as at 31 December	**181,955**	192,260	**152,196**	130,695

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(iii) Summarised financial information for associates (Continued)

On 11 June 2019, the Group entered into an agreement in relation to the acquisition of 49% equity interest in Dongguan Xindongyuan which owns the right to operate a WTE plant in Machong Town, Dongguan City, Guangdong Province. This transaction was completed in July 2019.

The consideration and cost incurred in relation to the acquisition amounted to RMB31,550,000 (equivalent to HK$35,866,000).

	Dongguan Xindongyuan 2019 HK$'000
Summarised statement of profit and loss	
Revenue	—
Profit and total comprehensive income for the period	—
Summarised balance sheet	
Current assets	17,102
Non-current assets	443,922
Current liabilities	(199,190)
Non-current liabilities	(89,632)
Net assets	172,202
Group's share (in %)	49%
Group's share (in HK$)	84,379
Goodwill	69
Carrying amount	84,448
Reconciliation to carrying amounts:	
Net assets as at 1 January	—
Acquisition	35,866
Capital injection	49,229
Share of profit for the period	—
Currency translation difference	(647)
Net assets as at 31 December	84,448
Loan to an associate (Note)	111,630

Note: The balance is unsecured and interest-bearing at the rate announced by the People's Bank of China. For the year ended 31 December 2019, interest income of HK$2,616,000 is recognised (2018: Nil) (note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and a joint venture (Continued)

(iv) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2019 HK$'000	2018 HK$'000
Aggregate carrying amount of individually immaterial associates	96,592	—
Aggregate amounts of the Group's share of profit and total comprehensive income	—	—

(v) Other losses, net in related to an associate

	Note	2019 HK$'000	2018 HK$'000
Loss on dilution of interest in an associate	(a)	15,289	—
Receivable in relation to an associate	(b)	(18,450)	—
		(3,161)	—

Notes:

(a) A dilution loss of HK$15,289,000 as a result of new shares issued by Johnson for its initial public offering ("IPO") on the Main Board of the Stock Exchange on 16 October 2019 which resulted the Group's ownership in Johnson to dilute from 41% to 30.75%.

(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 ended 31 December 2019.

16 LAND USE RIGHTS

	HK$'000
As at 1 January 2018	146,592
Amortisation (Note 6)	(3,665)
Currency translation differences	(6,603)
Closing net book amount at 31 December 2018	136,324
Change in accounting policy (Note 2.1.1(a))	(136,324)
Restated opening net book amount at 1 January 2019 and closing net book amount at 31 December 2019	—

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

	2018 HK$'000
Leases in the PRC	42,336

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

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

As at 31 December 2018, certain of the Group's borrowings were secured by the prepaid operating lease payments (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	CIP HK$'000	Total HK$'000
Year ended 31 December 2018						
Opening net book amount	683,365	812,429	11,012	12,329	—	1,519,135
Additions	13,627	10,878	4,929	8,220	2,734	40,388
Acquisition of subsidiaries	—	3,301	19,718	150	—	23,169
Transfer	2,393	341	—	—	(2,734)	—
Disposals (Note 33(b))	(3,421)	(54)	(755)	(109)	—	(4,339)
Depreciation	(41,276)	(70,935)	(3,243)	(4,713)	—	(120,167)
Currency translation differences	(29,910)	(34,537)	(1,447)	(725)	—	(66,619)
Closing net book amount	624,778	721,423	30,214	15,152	—	1,391,567
As at 31 December 2018						
Cost	750,585	1,007,115	40,242	31,430	—	1,829,372
Accumulated depreciation	(125,807)	(285,692)	(10,028)	(16,278)	—	(437,805)
Net book amount	624,778	721,423	30,214	15,152	—	1,391,567

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	CIP HK$'000	Total HK$'000
Year ended 31 December 2019						
Opening net book amount	624,778	721,423	30,214	15,152	—	1,391,567
Additions	10,508	39,536	5,964	6,372	—	62,380
Acquisition of a subsidiary (Note 37)	—	46	587	603	—	1,236
Disposals (Note 33(b))	—	—	(77)	(10)	—	(87)
Depreciation	(40,150)	(74,264)	(4,475)	(5,475)	—	(124,364)
Currency translation differences	(10,465)	(14,174)	(700)	(32)	—	(25,371)
Closing net book amount	584,671	672,567	31,513	16,610	—	1,305,361
As at 31 December 2019						
Cost	747,113	1,025,138	44,763	38,156	—	1,855,170
Accumulated depreciation	(162,442)	(352,571)	(13,250)	(21,546)	—	(549,809)
Net book amount	584,671	672,567	31,513	16,610	—	1,305,361

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

	2019 HK$'000	2018 HK$'000
Cost of sales	116,098	112,509
General and administrative expenses	8,266	7,658
	124,364	120,167

As at 31 December 2019, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK$278,016,000 (2018: HK$254,803,000) (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Concession rights HK$'000	Contract backlog HK$'000	Brand name HK$'000	Total HK$'000
Year ended 31 December 2018					
Opening net book amount	170,136	3,713,312	—	—	3,883,448
Additions from BOT arrangement	—	1,292,770	—	—	1,292,770
Acquisition of subsidiaries	47,599	98,232	11,185	17,347	174,363
Amortisation	—	(159,853)	—	—	(159,853)
Currency translation differences	(7,822)	(220,788)	—	—	(228,610)
Closing net book amount	209,913	4,723,673	11,185	17,347	4,962,118
As at 31 December 2018					
Cost	209,913	5,151,586	11,185	17,347	5,390,031
Accumulated amortisation	—	(427,913)	—	—	(427,913)
Net book amount	209,913	4,723,673	11,185	17,347	4,962,118
Year ended 31 December 2019					
Opening net book amount	**209,913**	**4,723,673**	**11,185**	**17,347**	**4,962,118**
Additions from BOT arrangement	**—**	**1,998,461**	**—**	**—**	**1,998,461**
Acquisition of a subsidiary (Note 37)	**—**	**499,687**	**—**	**—**	**499,687**
Amortisation	**—**	**(189,916)**	**(5,310)**	**(1,153)**	**(196,379)**
Currency translation differences	**(4,599)**	**(146,667)**	**(145)**	**(357)**	**(151,768)**
Closing net book amount	**205,314**	**6,885,238**	**5,730**	**15,837**	**7,112,119**
As at 31 December 2019					
Cost	**205,314**	**7,490,317**	**10,939**	**16,968**	**7,723,538**
Accumulated amortisation	**—**	**(605,079)**	**(5,209)**	**(1,131)**	**(611,419)**
Net book amount	**205,314**	**6,885,238**	**5,730**	**15,837**	**7,112,119**

18 INTANGIBLE ASSETS (Continued)

Goodwill is mainly attributable to the acquisition of Eco-Tech and Sichuan Jiajieyuan in 2011 and 2018 respectively. The carrying amount of goodwill allocated to the Group's CGUs as follows:

	2019 HK$'000	2018 HK$'000
Eco-Tech	158,758	162,314
Sichuan Jiajieyuan	46,556	47,599
	205,314	209,913

For the purposes of impairment reviews, the recoverable amount of CGUs is determined based on the value-in-use calculations which require the use of assumptions. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate of 3% (2018: 3%) on waste treatment fee for Eco-Tech and 5.7% (2018: 5.7%) on environmental hygiene service income for Sichuan Jiajieyuan for the purposes of impairment reviews covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account of the estimated terminal growth rate of 3% (2018: 3%) on waste treatment fee for Eco-Tech and environmental hygiene service income for Sichuan Jiajieyuan, and expected remaining useful lives of the relevant underlying operating assets. The assumptions used for budgeted revenue and gross profit margin are supported by historical data of existing projects. The operating cash inflows generated from these projects are mainly due from local government authorities in the PRC with no recent history of default, and accordingly the management considers the credit risk of cash flows from such projects to be insignificant.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. The pre-tax discount rate used is 9.5% for the year ended 31 December 2019 (2018: 9.5%) for Eco-Tech and 18.9% (2018: 18.9%) for Sichuan Jiajieyuan. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGUs. Based on the impairment review, no impairment is considered necessary as at 31 December 2019 and 2018. There are no reasonably possible change in the key assumptions which would cause the carrying amount exceeds the recoverable amount for goodwill attributable to the acquisition of Eco-Tech.

Concession rights are mainly attributable to the acquisition of China Scivest, Laibin Canvest, Celestial Jade Limited, Xingyi Hongda and Xiamen Kun Yue Environmental Company Limited and allocation from the BOT arrangement of Zhanjiang Canvest, Laibin Canvest, China Scivest, Xingyi Hongda, Beiliu Canvest, Lufeng Canvest, Maoming Canvest, Xinfeng Canvest, Xuwen Canvest, Dehong Canvest, Shaoguan Canvest, Baoding Canvest, Xinyi Canvest and Zaozhuang Zhongke. Amortisation expenses were charged to "cost of sales" in the consolidated statement of profit or loss. The remaining amortisation period of those concession rights ranged from 18 to 30 years.

Contract backlog and brand name were mainly attributable to the acquisition of Sichuan Jiajieyuan on 28 December 2018. The remaining amortisation period of the contract backlog and brand name were approximately 1 year and 14 years respectively.

As at 31 December 2019, certain of the Group's borrowings were secured by the BOT arrangement entered by China Scivest, Laibin Canvest, Xingyi Hongda, Beiliu Canvest, Lufeng Canvest, Maoming Canvest, Xinyi Canvest, Xinfeng Canvest and Zaozhuang Zhongke with the local governments with aggregate carrying amount of HK$6,027,137,000 (As at 31 December 2018: BOT arrangement entered by China Scivest, Laibin Canvest, Xingyi Hongda, Beiliu Canvest and Lufeng Canvest with the local governments with aggregate carrying amount of HK$3,377,862,000) (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	2019 HK$'000	2018 HK$'000
Contract assets:		
Receivables under service concession arrangements		
— Non-current	**1,336,113**	1,339,602
— Current	**103,485**	101,050
	1,439,598	1,440,652

Pursuant to the BOT agreements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. The receivables under service concession arrangements are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (Note 23).

(a) Significant changes in contract assets

There is no significant change in receivables under service concession arrangements balances. The Group also applied the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made as at 31 December 2019 and 2018.

(b) Unsatisfied performance obligations

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

	2019 HK$'000	2018 HK$'000
Aggregate amount of the transaction price that are partially or fully unsatisfied as at 31 December allocated to:		
(i) long-term service concession arrangements	**12,649,323**	9,592,974
(ii) environmental hygiene services contracts	**138,269**	179,387
	12,787,592	9,772,361

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include variable consideration which is constrained.

20 DEFERRED INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Deferred income tax assets		
— to be settled within 12 months	5,581	—
— to be settled after more than 12 months	5,582	—
	11,163	—
Deferred income tax liabilities		
— to be settled within 12 months	11,384	6,782
— to be settled after more than 12 months	526,373	385,292
	537,757	392,074

The analysis of deferred income tax charged to consolidated statement of profit or loss:

	2019 HK$'000	2018 HK$'000
Attributed to:		
— deferred income tax asset (Note 20(a))	(11,379)	—
— deferred income tax liabilities (Note 20(b))	76,464	65,707
	65,085	65,707

(a) Deferred income tax assets

	Tax losses HK$'000
At 1 January 2019	—
Credited to the consolidated statement of profit or loss	11,379
Currency translation differences	(216)
As at 31 December 2019	11,163

The deferred income tax asset relates to carried-forward tax losses of a PRC subsidiary. The Group has concluded that the deferred income tax asset will be recoverable using the estimated future taxable income based on the approved budgets for this subsidiary. The tax losses recognised will be expired in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	Revaluation of asset HK$'000	Service concession arrangements HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2018	197,512	112,615	6,000	316,127
(Credited)/charged to the consolidated statement of profit or loss	(3,551)	63,558	5,700	65,707
Acquisition of subsidiaries	28,405	—	—	28,405
Currency translation differences	(10,607)	(7,558)	—	(18,165)
At 31 December 2018	211,759	168,615	11,700	392,074
At 1 January 2019	**211,759**	**168,615**	**11,700**	**392,074**
(Credited)/charged to the consolidated statement of profit or loss	**(10,262)**	**74,936**	**11,790**	**76,464**
Acquisition of a subsidiary (Note 37)	**80,227**	**—**	**—**	**80,227**
Currency translation differences	**(5,889)**	**(5,119)**	**—**	**(11,008)**
At 31 December 2019	**275,835**	**238,432**	**23,490**	**537,757**

Deferred income tax liabilities of approximately HK$48,447,000 as at 31 December 2019 (2018: HK$134,207,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

21 RIGHT-OF-USE ASSETS

	Land use rights HK$'000	Office premises HK$'000	Total HK$'000
Opening net book amount at 1 January 2019, as originally presented	—	—	—
Change in accounting policy (Note 2.1.1(a))	136,324	16,079	152,403
Restated opening net book amount at 1 January 2019	136,324	16,079	152,403
Amortisation (Note 6)	(3,544)	(6,654)	(10,198)
Currency translation differences	(2,917)	—	(2,917)
As at 31 December 2019	129,863	9,425	139,288

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

	2019 HK$'000
Leases in the PRC	40,333

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

Amortisation expense for land use rights was charged in "cost of sales" while amortisation expense for office premises was charged to "general and administrative expenses" in the consolidated statement of profit or loss.

22 INVENTORIES

	2019 HK$'000	2018 HK$'000
Fuel and other materials for waste treatment	6,619	5,725

The cost of inventories was recognised as expense and included in "cost of sales" amounted to HK$186,037,000 for the year ended 31 December 2019 (2018: HK$129,181,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

	2019 HK$'000	2018 HK$'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
	621,026	630,684
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 (Note)	**187,584**	127,476
— Value-added tax recoverable	**263,412**	158,994
	999,896	589,474
	1,620,922	1,220,158

Notes: During the year ended 31 December 2019, in relation to the Baoshan WTE Project (Note 15(f)), the Group has entered into an agreement with an entity which is ultimately controlled by the Shanghai municipal government ("Entity"). Pursuant to the agreement, this Entity shall reimburse the sum paid by the Group for obtaining the shares of Shanghai Shengong and Shanghai Baoshan (Note 14(b)). Related payments of RMB65,708,000 (equivalent to approximately HK$73,350,000) was paid by the Group during the year ended 31 December 2019 and was recorded in "other receivables" as at 31 December 2019.

Other than balance mentioned above, as at 31 December 2019 and 2018, the balance mainly include receivables in relation to the management service income (Note 7) from a company whose directors consist of the Group's key management personnel.

The Group determines the provision for ECLs 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 ECL is minimal as the majority of the trade and bills receivables are due from government authorities in the PRC which has no recent history of default.

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

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

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

	2019 HK$'000	2018 HK$'000
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
	357,764	236,714
Unbilled receivables (Note)	103,912	23,130
	461,676	259,844

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

As at 31 December 2019, trade receivables of HK$149,496,000 (2018: HK$119,882,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
1 to 3 months	80,259	53,098
3 to 6 months	36,133	28,516
Over 6 months	33,104	38,268
	149,496	119,882

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

	2019 HK$'000	2018 HK$'000
RMB	1,619,300	1,185,976
HK$	1,622	34,182
	1,620,922	1,220,158

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

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For the year ended 31 December 2019

24 RESTRICTED DEPOSITS

	2019 HK$'000	2018 HK$'000
Restricted deposits, denominated in RMB	36,937	6,949

Restricted deposits of HK$36,937,000 (2018: HK$6,949,000) represents deposits pledged for BOT service concession arrangements in relation to various WTE plants. The effective interest rate on restricted deposits is 0.3%–2.07% per annum (2018: same). All of the restricted deposits are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

25 CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash at bank and on hand	936,452	1,224,319
Bank deposits	83,875	93,112
	1,020,327	1,317,431

As at 31 December 2019, the weighted average effective interest rate on bank deposits of the Group was (1.8% and 2.0%) for HK$ and United States dollars ("US$") bank deposits respectively, (as at 31 December 2018, 0.9%, 3.3% and 1.7% for HK$, RMB and US$ respectively). These bank deposits had original maturity dates of three months or less.

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

	2019 HK$'000	2018 HK$'000
HK$	359,631	496,775
RMB	652,236	812,512
US$	8,460	8,144
	1,020,327	1,317,431

As at 31 December 2019, the Group's cash and cash equivalents balances of approximately HK$649,274,000 (2018: HK$671,851,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

26 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

(a) Share capital and share premium

	2019	2018
Authorised:		
Number of ordinary shares		
As at 1 January and 31 December	**5,000,000,000**	5,000,000,000
Equivalent nominal value of ordinary shares (HK$'000)	**50,000**	50,000
Issued and fully paid:		
Number of ordinary shares		
As at 1 January	**2,454,932,169**	2,455,332,169
Buy-back but not yet cancelled shares (Note (i))	**—**	—
Buy-back and cancelled shares (Note (ii))	**(14,353,000)**	(400,000)
As at 31 December	**2,440,579,169**	2,454,932,169
Equivalent nominal value of ordinary shares (HK$'000)	**24,405**	24,549

Notes:

The buy-back of shares was governed by Companies Law of the Cayman Islands and Company's articles of association. For the year ended 31 December 2019 and 2018, the Company bought back its own shares through The Stock Exchange as follows:

(i) Buy-back but not yet cancelled shares

Month of buy-back	Number of shares bought back	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$'000
November 2019	1,038,000	3.42	3.15	3,477
Total expenses on shares bought back				22
Treasury shares as at 31 December 2019				3,499

The shares bought back were subsequently cancelled on 9 January 2020, and the Company's share capital changed to 2,439,541,169 ordinary shares amounted to HK$24,395,000.

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For the year ended 31 December 2019

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

(a) Share capital and share premium (Continued)

Notes: (Continued)

(ii) Buy-back and cancelled shares

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

These shares bought back in May and June 2019 were cancelled on 29 July 2019, and resulted in the decrease in the Company's share capital of HK$144,000 and share premium of HK$51,660,000.

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

All the shares bought back during the year ended 31 December 2018 were cancelled on 21 December 2018, and resulted in the decrease in the Company's share capital of HK$4,000 and share premium of HK$1,606,000.

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

(b) Other reserves

(i) Capital reserve

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

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

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

(ii) Statutory reserve

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

(iii) Other reserve

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

(iv) Share option reserve

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

(c) Share options

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

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

No share option granted was exercised or lapsed since the date of grant to 31 December 2019.

27 SHARES HELD UNDER SHARE AWARD SCHEME

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

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

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

Movement of shares held under Share Award Scheme for the year ended 31 December 2019 are as follows:

Shares held under Share Award Scheme	**Number of shares**	**Consideration HK$'000**
Balance at 1 January 2019	—	—
Purchase of shares under the Share Award Scheme on 17 July 2019	10,100,000	37,513
Balance at 31 December 2019	**10,100,000**	**37,513**

No shares were granted under the Share Award Scheme and the Group do not recognised any equity-settled share-based payments in relation to the Share Award Scheme for the year ended 31 December 2019.

28 BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
At variable interest rates		
Bank borrowings, secured	**5,296,957**	4,128,803
Less: Amount included under non-current liabilities	**(4,561,520)**	(3,616,936)
Amount included under current liabilities	**735,437**	511,867
Unsecured bank borrowings included under current liabilities	**80,000**	—
Total amounts under current liabilities	**815,437**	511,867

The repayment terms of bank borrowings are analysed as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**815,437**	511,867
Between 1 and 2 years	**1,025,744**	623,425
Between 2 and 5 years	**2,391,517**	1,973,545
Over 5 years	**1,144,259**	1,019,966
	4,561,520	3,616,936
Total bank borrowings	**5,376,957**	4,128,803

As at 31 December 2019, bank borrowings are secured by rights to collect revenue from power sales, waste handling services and environmental hygiene services, property, plant and equipment (Note 17), intangible assets (Note 18), and corporate guarantees (Note 35) (as at 31 December 2018: rights to collect revenue from power sales and waste handling services, prepaid operating lease payments (Note 16), property, plant and equipment (Note 17), intangible assets (Note 18), and corporate guarantees (Note 35)).

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For the year ended 31 December 2019

28 BANK BORROWINGS (Continued)

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

	2019 %	2018 %
Term loans		
— secured	4.41–6.65	4.41–5.64
— unsecured	3.68	—

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

	2019 HK$'000	2018 HK$'000
RMB	3,918,907	3,443,801
HK$	1,458,050	685,002
	5,376,957	4,128,803

29 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Non-current liabilities		
Other payables (Note)	177,244	172,238
Current liabilities		
Trade payables	154,002	198,730
Accruals and other payables (Note)	1,025,167	597,282
	1,179,169	796,012
	1,356,413	968,250

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

29 TRADE AND OTHER PAYABLES (Continued)

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

	2019 HK$'000	2018 HK$'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
	154,002	198,730

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

	2019 HK$'000	2018 HK$'000
RMB	**1,303,878**	945,025
HK$	**52,535**	23,225
	1,356,413	968,250

30 LEASE LIABILITIES

	2019 HK$'000
Lease liabilities	**7,867**
Less: Amount included under current liabilities	**(6,794)**
Amount included under non-current liabilities	**1,073**

During the year ended 31 December 2019, total cash outflow for leases was included in the consolidated statement of cash flows in (a) interest paid under "financing activities" of HK$485,000, (b) payment for short-term and low-value assets leases of HK$9,361,000 under "operating activities", and (c) principal elements of lease payments of HK$6,511,000 under "financing activities".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DEFERRED GOVERNMENT GRANTS

	2019 HK$'000	2018 HK$'000
Deferred government grants	**113,625**	104,583
Less: Amount included under current liabilities	**(7,671)**	(4,822)
Amount included under non-current liabilities	**105,954**	99,761

32 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 approval for issue of these financial statements (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).

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2019 and 2018 is as follows:

	2019 HK$'000	2018 HK$'000
Bank borrowings — repayable within one year (variable interest rate)	**815,437**	511,867
Bank borrowings — repayable after one year (variable interest rate)	**4,561,520**	3,616,936
Total bank borrowings	**5,376,957**	4,128,803
Lease liabilities	**7,867**	—
	5,384,824	4,128,803

	Bank borrowings due within 1 year HK$'000	**Bank borrowings due after 1 year** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
As at 1 January 2018	362,798	2,797,061	—	3,159,859
Cash flows	(359,583)	1,490,500	—	1,130,917
Currency translation differences	(3,215)	(158,758)	—	(161,973)
Other non-cash movements	511,867	(511,867)	—	—
As at 31 December 2018	511,867	3,616,936	—	4,128,803
As at 1 January 2019	**511,867**	**3,616,936**	**—**	**4,128,803**
Recognised on adoption of HKFRS16 (Note 2.1.1(a))	**—**	**—**	**14,378**	**14,378**
Cash flows	**(442,107)**	**1,648,516**	**(6,511)**	**1,199,898**
Acquisition of a subsidiary (note 37)	**39,724**	**99,564**	**—**	**139,288**
Currency translation differences	**(1,973)**	**(84,018)**	**—**	**(85,991)**
Other non-cash movements	**707,926**	**(719,478)**	**—**	**(11,552)**
As at 31 December 2019	**815,437**	**4,561,520**	**7,867**	**5,384,824**

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33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	2019 HK$'000	2018 HK$'000
Net book amount (Note 17)	87	4,339
Gain/(loss) on disposals of property, plant and equipment (Note 8)	107	(3,315)
Proceeds from disposals of property, plant and equipment	194	1,024

34 COMMITMENTS

(a) Capital commitments

	2019 HK$'000	2018 HK$'000
Authorised but not contracted to:		
Construction cost for BOT	4,457,048	2,867,718
	4,457,048	2,867,718
Contracted but not provided for:		
Construction cost for BOT	1,504,347	999,470
Acquisition of subsidiaries	29,024	15,978
Capital injection (Note)	87,964	283,956
	1,621,335	1,299,404

Note: On 12 December 2018, the Group has entered into the capital increase agreement ("Capital Increase Agreement") with Zaozhuang Zhongke and its existing shareholders. Zaozhuang Zhongke currently holds the BOT concession right to a WTE plant in Zaozhuang City, Shandong Province. The capital injection will be satisfied by cash and recapitalisation of future profit of Zaozhuang Zhongke.

As at 31 December 2019, capital commitment to Zaozhuang Zhongke approximated RMB78,800,000 (equivalent to HK$87,964,000) will be settled through recapitalisation of future profit of Zaozhuang Zhongke after the acquisition pursuant to the terms of the Capital Increase Agreement (Note 37).

35 FINANCIAL GUARANTEES

As at 31 December 2019, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 28) amounting to HK$3,573,412,000 (2018: HK$2,925,080,000).

As at 31 December 2018, the Company and an indirect wholly-owned subsidiary of the Company issued guarantees to two financial institutions in respect of finance leases and loan facilities granted to an associate, respectively. The guarantee have been released upon the Listing of this associate on the Stock Exchange during the year ended 31 December 2019.

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 31 December 2019 and 2018.

36 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

(i) During the year ended 31 December 2019, the Group paid rental and related expenses of HK$6,649,000 for office to a related party which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family, and was agreed by both parties (2018: HK$2,739,000).

(ii) During the year ended 31 December 2019, fly ash treatment services provided by an associate to the Group amounted to HK$86,177,000 (2018: HK$117,873,000). At as 31 December 2019, included in "Trade payables" are fly ash treatment fee payables of HK$34,706,000 (2018: HK$74,675,000) due to this associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the years ended 31 December 2019 and 2018.

(b) Key management compensation

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

	2019 HK$'000	2018 HK$'000
Wages and salaries	21,447	23,555
Pension costs — defined contribution plans	224	252
Welfare and other expenses	1,855	2,854
Total	23,526	26,661

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37 BUSINESS COMBINATION

Acquisition of Zaozhuang Zhongke

On 12 December 2018, the Group entered into the Capital Increase Agreement to acquire a 51% equity interest in Zaozhuang Zhongke through enlarging its registered share capital from approximately RMB248,652,000 (equivalent to HK$281,623,000) to approximately RMB507,452,000 (equivalent to approximately HK$574,740,000). Pursuant to the Capital Increase Agreement, the capital injection will be satisfied by cash payable by the Group and recapitalisation of future profit of Zaozhuang Zhongke, which may be subject to changes under certain conditions as specified in the Capital Increase Agreement. The amount of cash paid and payable by the Group approximated RMB180,000,000 (equivalent to HK$204,624,000) and the Group is then entitled to all rights and benefits associated with the 51% equity interest in Zaozhuang Zhongke on 1 July 2019, the date of completion of this transaction, and Zaozhuang Zhongke became a subsidiary of the Group.

Zaozhuang Zhongke holds the BOT concession right to a WTE plant in Zaozhuang City, Shandong Province and this acquisition enable the Group to expand its geographical coverage to Shandong Province.

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

	At acquisition date HK$'000
Consideration paid/payable	**204,624**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,238
Intangible assets — concession rights (Note 18)	499,687
Property, plant and equipment (Note 17)	1,236
Non-current prepayments for concession rights	27,229
Inventories	86
Trade receivables	14,753
Other receivables, deposits and prepayments	192,970
Bank and other borrowings (Note 33(a))	(139,288)
Trade and other payables	(108,414)
Deferred government grants	(14,047)
Deferred income tax liabilities (Note 20)	(80,227)
Non-controlling interests	(196,599)
Total identifiable net assets	**204,624**

37 BUSINESS COMBINATION (Continued)

Acquisition of Zaozhuang Zhongke (Continued)

Acquisition-related costs of HK$84,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2019.

The net cash outflow from acquisition of Zaozhuang Zhongke is as follows:

	At acquisition date HK$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Consideration paid	42,516
Less: Cash and cash equivalents acquired	(7,238)
Deposits paid in prior year	(11,168)
Net cash outflow — investing activities	24,110

The fair value of trade receivables is HK$14,753,000. The gross contractual amount for trade receivables due is HK$14,753,000, none of which is expected to be uncollectible.

The revenue included in the consolidated statement of profit or loss for the period from 1 July 2019 to 31 December 2019 contributed by Zaozhuang Zhongke was HK$121,174,000. Zaozhuang Zhongke also contributed profit of HK$17,255,000 over the same period.

Had Zaozhuang Zhongke been consolidated from 1 January 2019, the consolidated statement of profit or loss of the Group would show pro-forma revenue of HK$3,969,576,000 and profit of HK$875,238,000 for the year ended 31 December 2019.

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38 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Contribution from non-controlling interests

On 6 June 2019, Dehong Canvest was set up with a total registered capital of RMB105,000,000 (equivalent to HK$119,438,000). Kewei owns 90% equity interest in Dehong Canvest. For the year ended 31 December 2019, an independent third party who holds 10% equity interest in Dehong Canvest contributed RMB20,000,000 (equivalent to HK$22,330,000).

39 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 has been completed in January 2020.

Management is 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 incorporated in 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 approval for issue of these financial statements, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

(e) On 12 March 2020, the Ministry of Finance of the PRC issued the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (關於開展可再生能源發電補貼項目清單審核有關工作的通知), which stated the conditions and registration procedures for receiving the national financial subsidy for the WTE plants. As at 31 December 2019, the national financial subsidies receivables for our operating WTE plants, which is going to register to this project list, were approximately HK$53,042,000. These balances have been included in the trade receivables as "unbilled receivables" in the consolidated balance sheet as at 31 December 2019 (note 23).

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	5,006,625	3,892,936
Current assets		
Prepayment and other receivables	694	20,631
Cash and cash equivalents	361,962	639,919
	362,656	660,550
Total assets	5,369,281	4,553,486
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	24,405	24,549
Share premium (Note 40(b))	2,644,040	2,695,700
Other reserves (Note 40(b))	1,057,860	1,061,359
Retained earnings (Note 40(b))	163,527	66,722
Total equity	3,889,832	3,848,330
LIABILITIES		
Non-current liabilities		
Bank borrowings	1,260,665	685,002
Current liabilities		
Bank borrowings	197,386	—
Other payables	19,185	17,897
Amounts due to subsidiaries	2,213	2,257
	218,784	20,154
Total liabilities	1,479,449	705,156
Total equity and liabilities	5,369,281	4,553,486
Net current assets	143,872	640,396
Total assets less current liabilities	5,150,497	4,533,332

The balance sheet of the Company was approved by the Board of Directors on 19 March 2020 and was signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Treasury shares HK$'000	Capital reserve HK$'000 (Note (i))	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2018	2,697,306	—	1,055,525	5,834	59,150	3,817,815
Dividend approved in respect of the previous year (Note 32)	—	—	—	—	(49,107)	(49,107)
Interim divided declared and paid (Note 32)	—	—	—	—	(46,651)	(46,651)
Buy-back of ordinary shares (Note 26)	(1,606)	—	—	—	—	(1,606)
Profit for the year	—	—	—	—	103,330	103,330
Balance at 31 December 2018	2,695,700	—	1,055,525	5,834	66,722	3,823,781
Balance at 1 January 2019	**2,695,700**	**—**	**1,055,525**	**5,834**	**66,722**	**3,823,781**
Dividend approved in respect of the previous year (Note 32)	**—**	**—**	**—**	**—**	**(66,283)**	**(66,283)**
Interim divided declared and paid (Note 32)	**—**	**—**	**—**	**—**	**(78,099)**	**(78,099)**
Buy-back of ordinary shares (Note 26)	**(51,660)**	**(3,499)**	**—**	**—**	**—**	**(55,159)**
Profit for the year	**—**	**—**	**—**	**—**	**241,187**	**241,187**
Balance at 31 December 2019	**2,644,040**	**(3,499)**	**1,055,525**	**5,834**	**163,527**	**3,865,427**

Note (i): The capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Company for the acquisition of subsidiaries pursuant to the reorganisation completed in 2014.

FINANCIAL SUMMARY

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
ASSETS					
Non-current assets	**11,299,503**	8,897,623	7,287,363	5,088,641	3,664,772
Current assets	**2,167,264**	2,020,629	1,971,574	972,263	803,145
Total assets	**13,466,767**	10,918,252	9,258,937	6,060,904	4,467,917
EQUITY AND LIABILITIES					
Total equity	**6,022,707**	5,294,557	4,890,306	2,723,043	2,334,401
Non-current liabilities	**5,388,657**	4,285,359	3,332,949	2,479,209	1,348,289
Current liabilities	**2,055,403**	1,338,336	1,035,682	858,652	785,227
Total liabilities	**7,444,060**	5,623,695	4,368,631	3,337,861	2,133,516
Total equity and liabilities	**13,466,767**	10,918,252	9,258,937	6,060,904	4,467,917

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**3,952,216**	3,325,894	2,397,531	1,653,552	1,184,536
Cost of sales	**(2,686,690)**	(2,228,802)	(1,578,867)	(1,064,263)	(745,212)
Gross profit	**1,265,526**	1,097,092	818,664	589,289	439,324
General and administrative expenses	**(241,915)**	(228,299)	(164,701)	(122,904)	(111,646)
Other income	**155,317**	130,290	106,596	82,593	49,158
Other (losses)/gain, net	**(7,832)**	(8,830)	(11,406)	(1,626)	4,325
Operating profit	**1,171,096**	990,253	749,153	547,352	381,161
Interest income	**7,094**	6,146	6,438	4,426	11,897
Interest expense	**(211,277)**	(176,136)	(112,010)	(88,905)	(63,271)
Share of net profits of associates and a joint venture	**54,770**	32,004	—	—	—
Profit before income tax	**1,021,683**	852,267	643,581	462,873	329,787
Income tax expenses	**(129,632)**	(97,912)	(79,334)	(62,855)	(40,892)
Profit for the year	**892,051**	754,355	564,247	400,018	288,895
Attributable to:					
Equity holders of the Company	**892,622**	754,364	564,247	400,018	272,001
Non-controlling interests	**(571)**	(9)	—	—	16,894
Earnings per share (expressed in HK cents per share)					
— Basic	**36.6**	30.7	24.0	19.8	13.6
— Diluted	**36.6**	30.7	24.0	19.8	13.6

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

COMPANY SECRETARY

Ms. Wong Ling Fong Lisa (HKICPA)

AUTHORISED REPRESENTATIVES

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

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

as to Hong Kong law:
King & Wood Mallesons

as to PRC law:
King & Wood Mallesons
Jingtian & Gongcheng

as to BVI and Cayman Islands law:
Maples and Calder

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN PRC

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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

INVESTOR RELATIONS

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

WEBSITE

www.canvestenvironment.com

LISTING INFORMATION

Equity Securities Listing

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

CLOSURE OF REGISTER OF MEMBERS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

For environmental protection reason, the Company encourages Shareholders to view the contents of this annual report posted on the aforesaid websites.

GLOSSARY

AGM	Annual general meeting
Bazhong Weiao	Bazhong Weiao Environmental Power Company Limited** (巴中威澳環保發電有限公司), a company incorporated in 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
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
BOO	build-own-operate, a project model in which a private entity builds, owns and operates their facilities and assets with no obligation to transfer their ownership of their relevant facilities and assets to any specified parties at any specified time
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
BVI	the British Virgin Islands
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Canvest (China)	Canvest Environmental (China) Company Limited, a company incorporated in the British Virgin Islands and is an indirect wholly owned subsidiary of the Company
Canvest Yuezhan	Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited)** (粵豐粵展環保投資(廣東)有限公司) (formerly known as 粵展環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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
Century Rise	Century Rise Development Limited (誠朗發展有限公司), a company incorporated under the laws of BVI on 6 January 2012 with limited liability and a controlling shareholder of the Company
China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan

GLOSSARY

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
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company 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
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFC	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates

GLOSSARY

Jianyang Canvest	Jianyang 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
Loyal Step	Loyal Step Limited (步忠有限公司), a company incorporated in Hong Kong with limited liability
Lufeng	Lufeng Canvest Environmental Power Company Limited** (陸豐粵豐環保電力有限公司), a company 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
Mr. CT Lai	Mr. Lai Chun Tung (黎俊東), an executive Director
Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and deputy chairman
Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.

Open Mind	Open Mind Global Limited (啟迪有限公司), a company incorporated in the British Virgin Islands with limited liability
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited（清遠中田新能源有限公司）, a company 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, lawful currency of the United States of America
VAT	Value-added tax in the PRC
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust
World Prosperous	World Prosperous Investments Limited (世豐國際投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

GLOSSARY

WTE	waste-to-energy, the process of generating electricity from the incineration of waste
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
Yuezhan Intelligent Environmental	Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited** (粵豐粵展智慧環衛服務(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
Zaozhuang Zhongke	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company incorporated 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** (惠洲市中洲環保資源有限公司), a company incorporated in the PRC with limited liability
%	per cent

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

** For identification purposes only