CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
粵 豐 環 保 電 力 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

Financial Highlights

	For the year ended 31 December		
	2017	2016	Change
Revenue *(HK$'000)*	**2,397,531**	1,653,552	+45.0%
Included: Revenue from power sales and waste treatment *(HK$'000)*	**1,079,171**	775,590	+39.1%
Gross profit *(HK$'000)*	**818,664**	589,289	+38.9%
EBITDA *(HK$'000)*	**943,782**	702,869	+34.3%
Profit for the year *(HK$'000)*	**564,247**	400,018	+41.1%
Profit attributable to equity holders of the Company *(HK$'000)*	**564,247**	400,018	+41.1%
Basic earnings per share *(HK cents)*	**24.0**	19.8	+21.2%
Proposed final dividend per share *(HK cents)*	**2.0**	1.6	+25.0%
Cash generated from operating projects *(HK$'000)*[1]	**646,209**	460,909	+40.2%

Note:

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

Operational Highlights

- During the year, the Group's innocuous treatment of waste volume amounted to approximately 3,527,221 tonnes. The Group generated 1,452,328,000 kWh from green energy, saving 503,430 tonnes of standard coal and reducing emission of carbon dioxide by 1,255,051 tonnes.

- During the year, Eco-Tech II WTE plant, phase 2 of Xingyi WTE plant and phase 1 of Laibin WTE plant commenced trial operation, and construction of China Scivest II WTE plant was substantially completed and in preliminary trial operation stage. Zhongshan WTE plant (project operated under management agreement) was completed in first half of 2017 and proceeded to commercial operation in December 2017.

- In January 2017, the Company entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST and Utrust International. Under the strategic cooperation, a RMB1,501 million investment fund was established in December 2017.

- In February 2017, the Company and True Victor, a wholly-owned subsidiary of SIHL, entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe, 300,000,000 subscription Shares at a subscription price of HK$3.5 per subscription Share. Completion took place in March 2017.

- In March 2017, Kewei was conditionally awarded the BOT concession right in relation to the Xinyi WTE plant and a BOT agreement was subsequently entered into.

- In April 2017, IFC exercised its conversion rights attached to the outstanding convertible loan and the Company has allotted and issued an aggregate of 121,096,875 conversion Shares to IFC at a conversion price of HK$3.84 per conversion Share.

- In November 2017, Kewei was conditionally awarded the PPP project in relation to the Dianbai WTE plant. An agreement in relation to the award of the tender was entered into.

- In December 2017, Kewei was conditionally awarded the BOT concession right in relation to the Xuwen WTE plant. An agreement in relation to the award of the tender was entered into.

- In December 2017, Kewei acquired 100% equity interest in Xiamen Kun Yue, which indirectly holds the BOT concession right to a WTE plant in Xinfeng County, Jiangxi Province.

- In December 2017, Kewei acquired 100% equity interest in Hangzhou Langneng, which indirectly holds 50% equity interest of Jianyang Yuefeng, which holds the BOT concession right to a WTE plant in Jianyang City, Sichuan Province.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2017.

CHAIRLADY'S STATEMENT

To all honorable shareholders,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the year ended 31 December 2017 (the "year").

2017 was a productive year for the waste-to-energy industry in China. With the commitment to build a "beautiful China" and following the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), the Central Government set clear targets and promulgated many policies to encourage the healthy development of the industry, including the "Plan on Urban Household Waste Treatment Facilities Construction for the 13th FYP Period" (「十三五全國城鎮生活垃圾無害化處理設施建設規劃」), which targets to achieve a national penetration rate of about 54% for incineration by 2020, and the "Notice on Further Improving the Planning and Site Selection of WTE plants" (「關於進一步做好生活垃圾焚燒發電廠規劃選址工作的通知」), which requires each province to prepare a plan containing the construction targets of WTE plants. These objectives and policies aim to foster a green, circular and low-carbon society, and facilitate the development of a sustainable and conservation culture (生態文明).

To capture the growth opportunities in the market, the Group formed a strategic cooperation with Utrust Holdings, a financial holding group directly under the People's Government of Guangdong Province, to source new projects in Guangdong Province. Under the strategic cooperation, a RMB1,501 million investment fund was established to accelerate strategic acquisitions and enhance competitiveness.

In addition, SIHL has become our second largest shareholder via new share placement. Given its strong financial resources, SIHL's extensive market networks are invaluable to exploring and capturing new business opportunities for the Group. Moreover, IFC has converted its outstanding convertible loan to shares, and our pre-IPO and substantial shareholder, AEP, has further increased its shareholdings in Canvest during the year, showing shareholders' confidence in the management of Canvest.

Financial Performance

During the year, the Group's revenue increased by 45.0% year-on-year to HK$2,397.5 million and the profit attributable to equity holders of the Company increased by 41.1% year-on-year to HK$564.2 million. The increase was mainly attributable to the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, and the increase in construction revenue arising from construction.

After taking into consideration of the Group's development plan and investment returns to our shareholders, the Board has proposed the declaration of a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2017 (2016: HK1.6 cents). If approved by shareholders, the total dividend of 2017 would be HK3.3 cents per share (2016: HK2.7 cents)

Business Review

The Group continued to make significant progress in capacity expansion and operation. During the year, we obtained three more greenfield projects in our home-based Guangdong Province, which were (i) Xinyi WTE plant, with daily MSW processing capacity of 750 tonnes; (ii) Dianbai WTE plant, with daily MSW processing capacity of 2,250 tonnes; and (iii) Xuwen WTE plant, with daily MSW processing capacity of 750 tonnes. In addition, we expanded to Jiangxi Province and Sichuan Province via acquisitions, the daily MSW processing capacity of the acquired plants are 800 tonnes and 3,000 tonnes, respectively. Due to the satisfactory operational performance of phase 1 of the Xingyi project, we successfully obtained approval for a daily MSW processing capacity of 500 tonnes for phase 2. Furthermore, Eco-Tech II WTE plant, phase 2 of Xingyi WTE plant and phase 1 of Laibin WTE plant, had successfully commenced trial operation and China Scivest II WTE plant had commenced preliminary trial operation during the year. Construction of Zhongshan WTE Plant (operated under management agreement) was completed in first half of 2017 and proceeded to commercial operation in December. The corresponding total operating, secured, announced and managed daily MSW processing capacity had increased from 18,340 tonnes as at December 2016 to 26,040 tonnes as at December 2017.

It is important to achieve growth with effectiveness. By implementing the three-pronged driver of "Operate-Build-Develop", Canvest is well equipped to expand its geographical reach, and its revenue and profit are able to achieve sustainable and stellar growth. We will continue to leverage on our track record and high operation standard in order to secure new greenfield and acquire brownfield projects.

Furthermore, we believe integrity and social responsibility are as important as profitability and development, and thus we are proud to be the "Most Socially Responsible Investment and Operational Enterprise in the Solid Waste Industry in China for 2017" and the "Most Socially Responsible Enterprise in Dongguan".

Outlook

Looking ahead, while exploring business opportunities for the Group, we shall continue to uphold the corporate principles of "unite as one, work meticulously and strive for excellence" and our belief "to respect the co-existence between people and environment, to preserve ecology, and to protect the blue sky and clean water". Canvest is a young and energetic enterprise. We adopt a people-oriented philosophy to motivate our staff. The sense of mission, belonging, responsibility and achievement is the foundation for the successful and sustainable development of our Group. In addition, we will continue to actively involve in charitable activities in the community to fulfill our corporate social responsibility and to make contribution to a harmonious society.

On behalf of the Board, I would like to express our deepest gratitude to our shareholders, business partners and stakeholders for their unwavering support, and also to all of our staff for their dedication and devotion. We are well prepared to make fresh achievements and reach greater heights in the year.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 19 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December **2017** *HK$'000*	2016 *HK$'000*
Revenue	*2*	**2,397,531**	1,653,552
Cost of sales	*3*	**(1,578,867)**	(1,064,263)
Gross profit		**818,664**	589,289
General and administrative expenses	*3*	**(164,701)**	(122,904)
Other income	*4*	**106,596**	82,593
Other losses, net	*5*	**(11,406)**	(1,626)
Operating profit		**749,153**	547,352
Interest income	*6*	**6,438**	4,426
Interest expense	*6*	**(112,010)**	(88,905)
Interest expense, net		**(105,572)**	(84,479)
Profit before income tax		**643,581**	462,873
Income tax expense	*7*	**(79,334)**	(62,855)
Profit for the year		**564,247**	400,018
Attributable to:			
Equity holders of the Company		**564,247**	400,018
Non-controlling interests		**—**	—
		564,247	400,018
Earnings per share			
— basic *(expressed in HK cents per share)*	*8*	**24.0**	19.8
— diluted *(expressed in HK cents per share)*	*8*	**24.0**	19.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**564,247**	400,018
Other comprehensive income/(loss):		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**240,508**	(172,366)
Other comprehensive income/(loss) for the year, net of tax	**240,508**	(172,366)
Total comprehensive income for the year	**804,755**	227,652
Attributable to:		
Equity holders of the Company	**804,755**	227,652
Non-controlling interests	**—**	—
Total comprehensive income for the year	**804,755**	227,652

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Land use rights		**146,592**	140,441
Property, plant and equipment		**1,519,135**	1,201,711
Intangible assets		**3,883,448**	2,630,441
Long-term deposits and prepayments	*9*	**710,756**	295,186
Gross amounts due from customers for contract work	*10*	**1,027,432**	820,862
		7,287,363	5,088,641
Current assets			
Inventories		**2,314**	761
Trade and bills receivables	*9*	**260,191**	114,334
Gross amounts due from customers for contract work	*10*	**64,885**	55,981
Other receivables, deposits and prepayments	*9*	**281,595**	139,307
Restricted deposits		**14,786**	42,927
Cash and cash equivalents		**1,347,803**	618,953
		1,971,574	972,263
Total assets		**9,258,937**	6,060,904
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**24,553**	20,342
Share premium		**2,697,306**	1,195,835
Other reserves		**694,339**	477,532
Retained earnings		**1,474,108**	1,029,334
		4,890,306	2,723,043
Non-controlling interests		**—**	—
Total equity		**4,890,306**	2,723,043

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**2,797,061**	1,634,549
Convertible loan	*11*	**—**	407,935
Other payables	*12*	**106,401**	145,333
Deferred government grants		**109,663**	36,789
Other non-current liabilities		**3,697**	2,954
Deferred income tax liabilities		**316,127**	251,649
		3,332,949	2,479,209
Current liabilities			
Trade and other payables	*12*	**640,971**	567,123
Deferred government grants		**5,520**	1,329
Bank borrowings		**362,798**	276,837
Current income tax liabilities		**26,393**	13,363
		1,035,682	858,652
Total liabilities		**4,368,631**	3,337,861
Total equity and liabilities		**9,258,937**	6,060,904
Net current assets		**935,892**	113,611
Total assets less current liabilities		**8,223,255**	5,202,252

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of deferred tax assets for unrealised losses — Amendments to Hong Kong Accounting Standard ("HKAS") 12, and

- Disclosure initiative — amendments to HKAS 7.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

Apart from those disclosed above, other new/revised HKFRSs that are effective for accounting periods beginning on 1 January 2017 do not have any impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial Instruments'

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting there will be no significant impact on the adoption of the new standard on 1 January 2018.

The financial assets held by the Group includes debt instruments currently classified as loans and receivables and measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

This new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15, 'Revenue from Contracts with Customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standards on the Group's consolidated financial statements and has identified the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue generated from the provision of services.

More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group's consolidated financial statements.

This new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK$29,275,000.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

This new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2017, the Executive Directors consider that the Group's operations are operated and managed as a single segment — waste-to-energy ("WTE") project construction and operation (2016: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China ("PRC"). All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2017 (2016: same).

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

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Revenue from power sales	**772,609**	519,386
Waste treatment fee	**306,562**	256,204
Construction revenue arising from build-operate-transfer ("BOT") arrangements	**1,265,853**	843,760
Finance income arising from BOT arrangements	**52,507**	34,202
	2,397,531	1,653,552

For the year ended 31 December 2017, the Group had transactions with four (2016: three) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK$584,024,000, HK$510,810,000, HK$396,203,000 and HK$285,509,000 were derived from the largest, second largest, third largest and fourth largest customer for the year ended 31 December 2017, respectively, while revenue of approximately HK$448,485,000, HK$280,272,000 and HK$271,496,000 were derived from the largest, second largest and third largest customer for the year ended 31 December 2016, respectively.

3. EXPENSES BY NATURE

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

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Maintenance cost	**90,489**	48,587
Environmental protection expenses	**121,724**	85,364
Auditors' remuneration		
— Audit services	**3,214**	2,977
— Non-audit services	**959**	375
Employee benefit expenses	**153,787**	113,743
Depreciation and amortisation		
— Land use rights	**3,566**	3,619
— Property, plant and equipment	**106,502**	70,305
— Intangible assets	**78,123**	77,167
Operating lease rentals	**9,240**	8,816
Construction cost recognised for construction of BOT projects (included in cost of sales)	**1,054,877**	703,131

4. OTHER INCOME

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Value-added tax refund *(Note (i))*	**66,976**	39,790
Management income *(Note (ii))*	**27,170**	35,112
Government grants	**1,175**	533
Others	**11,275**	7,158
	106,596	82,593

Note: (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 2017 is derived from a company whose directors consist of key management personnel from the Group (2016: same).

5. OTHER LOSSES, NET

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Exchange losses, net	**(5,251)**	(1,935)
(Loss)/gain on disposals of property, plant and equipment	**(6,155)**	309
	(11,406)	(1,626)

6. INTEREST INCOME AND EXPENSE

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**(126,662)**	(84,126)
Imputed interest expenses on convertible loan *(note 11)*	**(10,813)**	(28,214)
	(137,475)	(112,340)
Less: amount capitalised on qualifying assets	**25,465**	23,435
	(112,010)	(88,905)
Interest income from bank deposits	**6,438**	4,426
Interest expense, net	**(105,572)**	(84,479)

7. INCOME TAX EXPENSE

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
PRC enterprise income tax	**33,972**	33,454
Hong Kong profits tax	**—**	—
Total current income tax	**33,972**	33,454
Deferred income tax	**45,362**	29,401
Income tax expense	**79,334**	62,855

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 2017 and 2016. 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 2017 (2016: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the years ended 31 December 2017 and 2016 on the assessable profits arising in or derived from the PRC except the followings:

(i) Dongguan Kewei Environmental Power Company Limited ("Kewei") obtained an approval for an enterprise income tax ("EIT") incentive that its project was fully exempted from the PRC EIT for three years starting from 2011 to 2013 followed by a 50% tax reduction for the ensuing three years from 2014 to 2016. Accordingly, the applicable tax rate for Kewei was 25% for the year ended 31 December 2017 (2016: 12.5%).

(ii) Dongguan China Scivest Environmental Power Company Limited ("China Scivest") obtained an approval for an EIT incentive that phase 1 of its project would be fully exempted from the PRC EIT for three years starting from 2013 to 2015, followed by a 50% tax reduction for the ensuing three years from 2016 to 2018. Accordingly, the applicable tax rate of phase 1 of China Scivest was 12.5% for the year ended 31 December 2017 (2016: 12.5%).

(iii) Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") obtained an approval for an EIT incentive that phase 1 of its project would be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax reduction for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of phase 1 of Eco-Tech was 0% for the year ended 31 December 2017 (2016: 0%).

In addition, phase 2 of its project (under construction in 2016) would be fully exempted from the PRC EIT for three years starting from 2017 to 2019, followed by a 50% tax reduction for the ensuing three years from 2020 to 2022. Accordingly, the applicable tax rate of phase 2 of Eco-Tech was 0% for the year ended 31 December 2017 (2016: 25%).

(iv) Zhanjiang Yuefeng Environmental Power Company Limited ("Zhanjiang Yuefeng") obtained an approval for an EIT incentive that its project would be fully exempted from the PRC EIT for three years starting from 2016 to 2018, followed by a 50% tax reduction for the ensuing three years from 2019 to 2021. Accordingly, the applicable tax rate of Zhanjiang Yuefeng was 0% for the year ended 31 December 2017 (2016: 0%).

(v) Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda") obtained an approval for an EIT incentive that phase 1 of its project would be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax reduction for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of phase 1 of Xingyi Hongda was 0% for the year ended 31 December 2017 (2016: 0%).

In addition, phase 2 of its project (under construction in 2016) would be fully exempted from the PRC EIT for three years starting from 2017 to 2019, followed by a 50% tax reduction for the ensuing three years from 2020 to 2022. Accordingly, the applicable tax rate of phase 2 of Xingyi Hongda was 0% for the year ended 31 December 2017 (2016: 25%).

(vi) Laibin Zhongke Environmental Power Company Limited ("Laibin Zhongke") obtained an approval for an EIT incentive that its project would be fully exempted from the PRC EIT for three years starting from 2017 to 2019, followed by a 50% tax reduction for the ensuing three years from 2020 to 2022. Accordingly, the applicable tax rate of Laibin Zhongke was 0% for the year ended 31 December 2017 (2016: 25%).

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company *(HK$'000)*	**564,247**	400,018
Weighted average number of ordinary shares in issue *(thousand shares)*	**2,350,806**	2,020,766
Basic earnings per share *(HK cents)*	**24.0**	19.8

(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 two (2016: two) categories of dilutive potential ordinary share: share options and convertible loan (2016: share options and convertible loan). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible loan has assumed to have been converted into ordinary shares, and the profit for the year has been adjusted to eliminate the interest expense of the convertible loan.

Diluted earnings per share for the year ended 31 December 2017 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options and convertible loan would have an anti-dilutive effect to the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2016 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options and convertible loan would have an anti-dilutive effect to the basic earnings per share.

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Deposits for investments	**508,597**	228,060
Prepayments for property, plant and equipment and concession rights	**196,329**	59,883
Rental deposits	**1,617**	1,617
Other prepayments	**4,213**	5,626
	710,756	295,186
Current assets		
Trade receivables	**260,191**	110,980
Bills receivables	**—**	3,354
Deposits and prepayments	**16,913**	4,053
Other receivables *(Note)*	**106,709**	59,827
Value-added tax recoverable	**157,973**	75,427
	541,786	253,641
	1,252,542	548,827

Note: As at 31 December 2017 and 2016, the balances mainly include receivables in relation to the management income (note 4) and from a company whose directors consist of the Group's key management personnel.

The credit period granted by the Group is generally 30 days. The ageing analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Up to 1 month	**83,501**	33,841
1 to 3 months	**107,944**	41,374
3 to 6 months	**46,373**	25,943
Over 6 months	**22,373**	9,822
	260,191	110,980

10. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct, operate and manage WTE projects in the PRC for specific periods. The grantors guarantee that the Group will receive minimum annual payments under the service concession arrangements.

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits	**1,154,870**	915,596
Less: Billings	**(62,553)**	(38,753)
Net contract work	**1,092,317**	876,843
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**1,027,432**	820,862
— Current	**64,885**	55,981
	1,092,317	876,843

The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements.

11. CONVERTIBLE LOAN

On 28 April 2016, International Finance Corporation ("IFC") disbursed the convertible loan in the aggregate principal amount of HK$465,012,000 to the Company. IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into fully paid ordinary shares with a par value of HK$0.01 each of the Company at any time after the date of the disbursement and prior to the maturity date. The initial conversion price is HK$3.91 per share, subject to customary adjustments as set forth in the convertible loan agreement.

The total net proceeds of the convertible loan of HK$457,658,000, after deducting related expenses, has been received by the Group during the year ended 31 December 2016.

The major terms and conditions of the convertible loan are as follows:

(i) Interest rate

The outstanding principal of the convertible loan bears interest at a rate of 2% per annum.

(ii) Conversion price

The conversion price is initially HK$3.91 per share, subject to customary adjustments as set forth in the convertible loan agreement.

(iii) Maturity date

The maturity date of the convertible loan is 27 April 2021.

(iv) Repayment

The outstanding principal amount of the convertible loan shall be repaid on the maturity date, together with the make whole premium (if any).

Make whole premium is calculated by IFC, which would yield a minimum internal rate of return for IFC on the principal amount of the convertible loan repaid or prepaid of 7% per annum, calculated from the date of the disbursement and ending on the date of such repayment.

The convertible loan was recognised as a equity component and a debt component as follows:

— equity component comprise the fair value of the option of IFC to convert the convertible loan into ordinary shares of the Company at the conversion price at any time before the maturity.

— debt component initially recognised at its fair value, and is subsequently carried at amortised cost.

The movements of the convertible loan are set out below:

	Debt component	Equity component	Total
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2016			
Convertible loan disbursed on 28 April 2016	385,688	71,970	457,658
Imputed interest expense	28,214	—	28,214
Interest paid	(5,967)	—	(5,967)
As at 31 December 2016	407,935	71,970	479,905
For the year ended 31 December 2017			
As at 1 January 2017	**407,935**	**71,970**	**479,905**
Imputed interest expense	**10,813**	**—**	**10,813**
Interest paid	**(3,049)**	**—**	**(3,049)**
Conversion into ordinary shares	**(415,699)**	**(71,970)**	**(487,669)**
As at 31 December 2017	**—**	**—**	**—**

On 3 April 2017, the Company received a conversion notice from IFC to exercise the conversion rights attached to the outstanding convertible loan in the aggregate principal amount of HK$465,012,000. Accordingly, the Company has allotted and issued an aggregate of 121,096,875 ordinary shares to IFC at an adjusted conversion price of HK$3.84 per share on 12 April 2017.

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables *(Note)*	**106,401**	145,333
Current liabilities		
Trade payables	**113,078**	64,476
Accruals and other payables *(Note)*	**527,893**	502,647
	640,971	567,123
	747,372	712,456

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

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Up to 1 month	**72,076**	37,672
1 to 2 months	**12,213**	13,376
2 to 3 months	**7,021**	2,720
Over 3 months	**21,768**	10,708
	113,078	64,476

13. DIVIDEND

The Board has proposed the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2017 (2016: HK1.6 cents per ordinary share), totaling to HK$49,107,000 (2016: HK$39,285,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,455,332,169 shares) at the date of this announcement (i.e. 19 March 2018).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 15 June 2018, the proposed final dividend are expected to be paid on Friday, 6 July 2018 to shareholders whose names appear on the register of members of the Company on Tuesday, 26 June 2018.

The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2017.

During the year ended 31 December 2017, the Company has declared an interim dividend of HK1.3 cents per ordinary share (2016: HK1.1 cents per ordinary share), totaling to HK$31,919,000 (2016: HK$22,377,000).

14. EVENTS AFTER BALANCE SHEET DATE

(a) *Acquisition of 100% equity interest in Xiamen Kun Yue Environmental Company Limited ("Xiamen Kun Yue")*

On 11 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue, a company established in the PRC with limited liability at a consideration of RMB173,500,000 (approximately HK$204,730,000). Xiamen Kun Yue indirectly holds the BOT concession right to a WTE plant in Xinfeng County, Jiangxi Province with a total daily municipal solid waste processing capacity of 800 tonnes. As at the date of this announcement, the transaction has not been completed.

(b) *Acquisition of 100% equity interest in Hangzhou Langneng Environmental Technology Company Limited ("Hangzhou Langneng")*

On 27 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng, a company established in the PRC with limited liability at a consideration of RMB87,046,000 (approximately HK$103,584,000). Hangzhou Langneng indirectly holds 50% equity interest in Jianyang Yuefeng Environmental Power Company Limited, a company established in the PRC with limited liability, which holds the BOT concession right to a WTE plant in Jianyang City, Sichuan Province with a total daily municipal solid waste processing capacity of 3,000 tonnes. As at the date of this announcement, the transaction has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

With the commitment to build a "beautiful China" and following the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), the Central Government promulgated many policies to encourage the healthy development of WTE industry. The "Plan for non-hazardous waste treatment facilities under the 13th FYP" (「十三五全國城鎮生活垃圾無害化處理設施建設規劃」) targets to achieve a national penetration rate of over 50% for incineration by 2020, and the "Notice on Further Improving the Planning and Site Selection of WTE plants" (「關於進一步做好生活垃圾焚燒發電廠規劃選址工作的通知」), requires each province to prepare a plan for the construction targets of WTE plants. These policies aim to foster a green, circular and low-carbon society, and facilitate the development of sustainable and conservation culture.

With the promulgation of the policies in relation to the WTE industry, we believe it is beneficial to the long term development of this industry.

With the solid project development, phase 1 of Laibin WTE plant, Eco-Tech II WTE plant and phase 2 of Xingyi WTE plant commenced operation in 2017. Together with the stable contribution from Eco-Tech I WTE plant, Kewei WTE plant, China Scivest I WTE plant, Zhanjiang WTE plant and phase 1 of Xingyi WTE plant, the Group recorded satisfactory results for the year ended 31 December 2017.

Overall Performance

For the year ended 31 December 2017, the Group's revenue was HK$2,397.5 million (2016: HK$1,653.6 million), representing an increase of 45.0% over 2016. The operating profit and profit for the year were HK$749.2 million (2016: HK$547.4 million) and HK$564.2 million (2016: HK$400.0 million), respectively, representing an increase of 36.9% and 41.1%, respectively. Profit attributable to equity holders of the Company was HK$564.2 million (2016: HK$400.0 million), representing an increase of 41.1% over the last year. Basic earnings per share was HK24.0 cents (2016: HK19.8 cents).

During the year, the Group's innocuous treatment of waste volume amounted to approximately 3,527,221 tonnes. The Group generated 1,452,328,000 kWh from green energy, saving 503,430 tonnes of standard coal and reducing emission of carbon dioxide by 1,255,051 tonnes.

Processing Capacity Expansion

Operating Processing Capacity

As at 31 December 2017, the operating daily MSW processing capacity of the Group (including the project under management) increased from 7,600 tonnes to 12,840 tonnes, representing an increase of 68.9%.

Total Processing Capacity

As at 31 December 2017, the operating, secured, announced and under management agreement daily MSW processing capacity of our 17 projects was 26,040 tonnes, of which 18,490 tonnes are in Guangdong Province, 2,550 tonnes are in Guangxi Zhuang Autonomous Region, 1,200 tonnes are in Guizhou Province, 800 tonnes are in Jiangxi Province and 3,000 tonnes are in Sichuan Province.

Projects

Overall

Three projects, namely phase 1 of Laibin WTE plant, Eco-Tech II WTE plant and phase 2 of Xingyi WTE plant, commenced to provide contribution in 2017. Having considered the China Scivest II WTE plant which is under preliminary trial operation stage, there are 17 operating, secured, announced and managed projects in our portfolio. Geographical coverage of the Group further extended from Guangdong Province, Guangxi Zhuang Autonomous Region and Guizhou Province to Jiangxi Province and Sichuan Province.

Guangdong Province

Eco-Tech I WTE plant, Kewei WTE plant, China Scivest I WTE and Zhanjiang WTE plant continued to provide contributions in 2017.

Construction of Eco-Tech II WTE plant was completed and its operation commenced in April 2017. Construction of Zhongshan WTE plant, a project under our management, was completed in first half of 2017 and moved to commercial operation in December 2017.

Construction of China Scivest II WTE plant was substantially completed and is under preliminary trial operation stage.

Qingyuan WTE plant and Xinyi WTE plant are still under planning and Lufeng WTE plant is in the preparation stage.

In November 2017, the Group was awarded the PPP project in relation to a WTE plant located in Dianbai District of Maoming City of Guangdong Province. An agreement in relation to the award of the tender was entered in this regard. The project is in the planning stage. Please refer to the announcement dated 16 November 2017 for further details.

In December 2017, the Group was awarded the BOT concession in relation to a WTE plant located in Xuwen County of Guangdong Province. An agreement in relation to the award of the tender was entered in this regard. The project is in the planning stage. Please refer to the announcement dated 11 December 2017 for further details.

Guangxi Zhuang Autonomous Region

Technological upgrade of Laibin WTE plant was completed in the second half of 2017 and commenced to provide contribution. Beiliu WTE plant is under construction and is expected to commence trial operation in the first half of 2018.

Guizhou Province

Construction of phase 2 of Xingyi WTE plant was completed in the first half of 2017 and phase 2 commenced to contribute operating revenue in 2017.

Jiangxi Province

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue. It indirectly holds the BOT concession rights to a WTE plant in Xinfeng County, Jiangxi Province. The project is at the preliminary planning stage. Please refer to the announcement of the Company dated 11 December 2017 for further details.

Sichuan Province

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng. It indirectly holds 50% equity interest of Jianyang Yuefeng, which holds the BOT concession rights to a WTE plant in Jianyang City, Sichuan Province. The project is at the preliminary planning stage. Please refer to the announcement of the Company dated 28 December 2017 for further details.

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

Location	Project(s)	Year ended 31 December 2017	2016
Guangdong Province	**Eco-Tech I WTE plant**		
	Waste treatment		
	Processed MSW *(tonnes)*	**615,600**	692,449
	Power generation		
	Power generated *(MWh)*	**281,365**	299,275
	Power sold *(MWh)*	**250,856**	264,672
	Eco-Tech II WTE plant *(Note 2)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**498,879**	N/A
	Power generation		
	Power generated *(MWh)*	**235,875**	N/A
	Power sold *(MWh)*	**208,753**	N/A
	Kewei WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**560,328**	575,539
	Power generation		
	Power generated *(MWh)*	**249,277**	252,761
	Power sold *(MWh)*	**222,750**	225,606
	China Scivest I WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**711,542**	684,986
	Power generation		
	Power generated *(MWh)*	**294,187**	279,639
	Power sold *(MWh)*	**255,620**	243,794
	China Scivest II WTE plant *(Note 3)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**98,164**	N/A
	Power generation		
	Power generated *(MWh)*	**47,828**	N/A
	Power sold *(MWh)*	**42,936**	N/A

Location	Project(s)	Year ended 31 December 2017	2016
Guangdong Province	**Zhanjiang WTE plant *(Note 4)***		
	Waste treatment		
	Processed MSW *(tonnes)*	**575,690**	316,474
	Power generation		
	Power generated *(MWh)*	**190,681**	98,736
	Power sold *(MWh)*	**166,030**	83,358
Guangxi Zhuang Autonomous Region	**Laibin WTE plant *(Note 5)***		
	Waste treatment		
	Processed MSW *(tonnes)*	**166,332**	23,398
	Power generation		
	Power generated *(MWh)*	**58,057**	9,662
	Power sold *(MWh)*	**48,907**	7,067
Guizhou Province	**Xingyi WTE plant *(Note 6)***		
	Waste treatment		
	Processed MSW *(tonnes)*	**300,686**	76,300
	Power generation		
	Power generated *(MWh)*	**95,058**	22,843
	Power sold *(MWh)*	**77,052**	18,326
Total	***Waste treatment***		
	Processed MSW *(tonnes)*	**3,527,221**	2,369,146
	Power generation		
	Power generated *(MWh)*	**1,452,328**	962,916
	Power sold *(MWh)*	**1,272,904**	842,823

Note 1: The difference between the power generated and the power sold is attributable to various factors, including but not limited to internal power usage and transmission losses.

Note 2: Eco-Tech II WTE plant commenced operation in April 2017.

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

Note 4: Zhanjiang WTE plant commenced trial operation in April 2016.

Note 5: The operations of Laibin WTE plant have been suspended since March 2016 for its technological upgrade and resumed trial operation in the second half of 2017.

Note 6: Acquisition of Xingyi WTE plant has been effectively completed in August 2016 and its results was accounted for as part of the Group's results since 31 August 2016. Phase 2 of Xingyi WTE plant commenced operation in the first half of 2017.

Revenue

During the year, the Group's revenue reached HK$2,397.5 million, representing an increase of 45.0% when compared with HK$1,653.6 million in 2016. Among that, revenue from power sales and waste treatment fees during the year reached HK$1,079.2 million, representing an increase of 39.1% from 2016. Increase in total revenue was mainly contributed by the construction revenue from the additional projects under construction as well as operating revenue of Eco-Tech II WTE plant, Laibin WTE plant, phase 2 of the Xingyi WTE plant and Zhanjiang WTE plant.

The following table sets forth the breakdown of revenue for the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from power sales	**772,609**	**32.2%**	519,386	31.4%
Revenue from waste treatment fees	**306,562**	**12.8%**	256,204	15.5%
Construction revenue arising from BOT arrangements	**1,265,853**	**52.8%**	843,760	51.0%
Finance income arising from BOT arrangements	**52,507**	**2.2%**	34,202	2.1%
Total	**2,397,531**	**100.0%**	1,653,552	100.0%

The following table sets forth the breakdown of revenue by region for the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Guangdong Province	**1,512,912**	**63.1%**	1,135,065	68.6%
Guangxi Zhuang Autonomous Region	**721,964**	**30.1%**	417,304	25.2%
Guizhou Province	**162,655**	**6.8%**	101,183	6.2%
Total	**2,397,531**	**100.0%**	1,653,552	100.0%

Cost of Sales

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

During the year, cost of sales increased 48.4% from HK$1,064.3 million in 2016 to HK$1,578.9 million in 2017. The increase was mainly attributable to the construction cost incurred from the additional projects under construction as well as the operating costs of new plants added, including Eco-Tech II WTE plant, Laibin WTE plant and phase 2 of Xingyi WTE plant after completion of construction, and impact of full year operation of Zhanjiang WTE plant.

Gross Profit and Gross Profit Margin

In 2017, gross profit of the Group amounted to HK$818.7 million, representing an increase of 38.9% as compared to HK$589.3 million in 2016. The increase in gross profit was mainly attributable to the contributions from the operations of Eco-Tech II WTE plant, Laibin WTE plant, phase 2 of the Xingyi WTE plant and Zhanjiang WTE plant as well as the gross profit from the construction of additional WTE plants.

The following table sets forth the gross profit by nature for the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Power sales and waste treatment operations	**555,183**	**67.8%**	414,458	70.3%
Construction service arising from BOT arrangements	**210,975**	**25.8%**	140,629	23.9%
Finance income arising from BOT arrangements	**52,506**	**6.4%**	34,202	5.8%
Total	**818,664**	**100.0%**	589,289	100.0%

Gross profit margin of the Group decreased from 35.6% in 2016 to 34.1% in 2017. The decrease was mainly due to the increase in the contribution from construction revenue, whereby its gross profit margin is generally lower, and lower gross profit margin of the certain operating plants as a result of the increase in overhaul time of certain WTE plants.

The following table sets forth the gross profit margin by nature generated for each of the WTE plants for the year ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017	2016
	Gross profit margin	*Gross profit margin*
Power sales and waste treatment operations	**51.4%**	53.4%
Construction service arising from BOT arrangements	**16.7%**	16.7%
Finance income arising from BOT arrangements	**100.0%**	100.0%
Gross profit margin of the Group	**34.1%**	35.6%

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 amortization, rental expenses for offices, security expenses, office expenses and others.

During the year, general and administrative expenses increased by 34.0% from HK$122.9 million in 2016 to HK$164.7 million in 2017. The increase in the expenses was mainly due to additional plants under operation.

Other Income

Other income mainly consisted of VAT refund, management income, government grants and others. During the year, other income increased by 29.1% from HK$82.6 million in 2016 to HK$106.6 million in 2017. It was mainly due to Eco-Tech I WTE plant started to enjoy VAT refund in 2017.

Other Losses, Net

During the year, other net losses recorded HK$11.4 million as compared to HK$1.6 million in 2016. It was mainly attributable to the loss on disposal of certain fixed assets of Eco-Tech I WTE plant and Kewei WTE plant with a purpose to optimize the master layout with Eco-Tech II WTE plant.

Interest Expenses, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the year, the net interest expenses increased by 25.0% from HK$84.5 million in 2016 to HK$105.6 million in 2017. The increase in interest expenses was mainly due to finance costs related to Eco-Tech II WTE plant, Laibin WTE plant and phase 2 of Xingyi WTE plant were no longer eligible for capitalisation after construction works had been completed and plants were ready for use.

Income Tax Expenses

During the year, income tax expenses increased by 26.2% from HK$62.9 million in 2016 to HK$79.3 million in 2017. It was mainly attributable to the tax incurred by Kewei WTE plant as a result of transiting from half tax reduction to no tax reduction since 2017 and the deferred income taxes incurred by China Scivest II WTE plant, Beiliu WTE plant, phase 2 of Xingyi WTE plant and Laibin WTE plant.

Profit Attributable to The Equity Holders of The Company

During the year, profit attributable to the equity holders of the Company increased by 41.1%, from HK$400.0 million in 2016 to HK$564.2 million in 2017.

Liquidity, Financial and Capital Resources

Financial resources

During the year, the Group generated HK$646.2 million cash from operating projects (2016: HK$460.9 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$1,314.4 million (2016: HK$514.6 million). As a result, total net cash used in operating activities amounted to HK$668.2 million during the year (2016: HK$53.7 million).

The Group generated cash flow through operating activities, equity financing and loan facilities from banks. As at 31 December 2017, total cash and cash equivalents of the Group were HK$1,347.8 million (31 December 2016: HK$619.0 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 The Net Proceeds from The Initial Public Offering

The Company raised a total of HK$1,165.0 million in gross proceeds after the completion of the initial public offering in December 2014, and net proceeds amounted to HK$1,068.5 million after deducting various professional expenses incurred in connection with the initial public offering. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 15 December 2014, and the respective use of the net proceeds as at 31 December 2017 was as follows:

	Available	**Used**	**Unused**
	HK$'000	*HK$'000*	*HK$'000*
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	812,095	812,095	—
Development of phase two of Zhanjiang WTE plant	149,596	149,596	—
Working capital and other general corporate purposes	106,855	106,855	—
Total	1,068,546	1,068,546	—

Use of Proceeds from the Conversion of Convertible Loan from IFC

On 3 April 2017, the Company received a conversion notice from IFC to exercise the conversion rights attaching to outstanding convertible loan in the aggregate principal amount of HK$465,012,000. Accordingly, the Company has allotted and issued an aggregate of 121,096,875 conversion shares with nominal value of HK$1,210,968.8 to IFC at the conversion price of HK$3.84 per conversion share. The net proceeds from the convertible loan was HK$457.7 million (after deducting related expenses) and the respective use of the proceeds as at 31 December 2017 was as follows:

	Available	**Used**	**Unused**
	HK$'000	*HK$'000*	*HK$'000*
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	411,892	411,892	—
Working capital and other general corporate purposes	45,766	45,766	—
Total	457,658	457,658	—

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 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, the date of the subscription agreement.

The subscription was completed on 28 March 2017, and net proceeds of approximately HK$1,018.0 million (after deducting related expenses) were received by the Group. The net price per subscription Share was approximately HK$3.4. The proceeds have not been fully utilized as at 31 December 2017 and as at the date of this announcement.

The use of proceeds as at 31 December 2017 was as follows:

	Available *HK$'000*	**Used** *HK$'000*	**Unused** *HK$'000*
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	712,610	214,960	497,650
Working capital and other general corporate purposes	305,403	79,101	226,302
Total	1,018,013	294,061	723,952

As at 31 December 2017, the unutilized net proceeds from the placing were deposited in our bank accounts.

Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2017, the Group's bank borrowings was HK$3,159.9 million (31 December 2016: HK$1,911.4 million). Such bank borrowings were secured by pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and all of them (31 December 2016: over 96%) were at floating interest rates.

In January 2016, the Company entered into a convertible loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465.0 million. The convertible loan has been drawn down on 28 April 2016. The carrying amount of the debt component as at 31 December 2016 was HK$407.9 million. The convertible loan was denominated in Hong Kong dollars and bears interest at a rate of 2% per annum. The closing price of the Shares was HK$3.92 on 20 January 2016, the date of the convertible loan agreement. On 12 April 2017, the convertible loan has been converted to 121,096,875 conversion Shares and there is no outstanding convertible loan immediately after the conversion. Please refer to the announcement dated 12 April 2017 for further details.

Net asset of the Group was HK$4,890.3 million (31 December 2016: HK$2,723.0 million). The increase in net asset was mainly attributable to the profit generated during the year and the equity fund raising activity in first half of 2017.

The following table sets forth the analysis of the borrowings as at 31 December 2017 and 2016:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Portion of term loans due to repayment after one year — secured	**2,797,061**	1,634,549
Portion of term loans due for repayment within one year — secured	**362,798**	276,837
Total bank borrowings	**3,159,859**	1,911,386
Convertible loan — debt component — unsecured	**—**	407,935
Total borrowings	**3,159,859**	2,319,321

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2017, the gearing ratio was 47.2% (31 December 2016: 55.1%).

As of 31 December 2017, the Group had banking facilities in the amount of HK$3,861.5 million, of which HK$701.6 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 2017, the total cost of borrowings of the Group was HK$112.0 million (2016: HK$88.9 million), representing an increase of HK$23.1 million. The increase was mainly attributable to the finance costs related to Eco-Tech II WTE plant, Laibin WTE plant and phase 2 of Xingyi WTE plant were no longer eligible for capitalisation after the construction works completed and the plants were ready for use. Effective interest rate ranged from 3.96% to 10.69% in 2017, while it was from 2.23% to 10.69% in 2016.

For the year ended 31 December 2017, the imputed interest expenses and interests paid in relation to the convertible loan amounted to HK$10.8 million (2016: HK$28.2 million) and HK$3.0 million (2016: HK$6.0 million), respectively.

Foreign Exchange Risk

Major operating subsidiaries of the Group operates 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 United States dollars while bank loans were denominated in 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 2017, the Group's capital commitments, which were authorised but not contracted for amounted to HK$2,377.3 million (31 December 2016: HK$687.3 million) and its capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$542.5 million (31 December 2016: HK$1,153.9 million).

As at 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK$29.3 million (31 December 2016: HK$9.6 million).

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

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue. It indirectly holds the BOT concession right to a WTE plant in Xinfeng County, Jiangxi Province. As at the date of this announcement, the transaction has not been completed. Please refer to the announcement of the Company dated 11 December 2017 for further details.

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng. It indirectly holds 50% equity interest in Jianyang Yuefeng, which in turn holds the BOT concession right to a WTE plant in Jianyang City, Sichuan Province. As at the date of this announcement, the transaction has not been completed. Please refer to the announcement of the Company dated 28 December 2017 for further details.

Capital Expenditures

For the year ended 31 December 2017, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounted to HK$1,392.8 million (2016: HK$1,083.4 million). Capital expenditures were mainly funded by bank borrowings, funds generated from operating activities and capital contributions from Shareholders.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2017.

Pledge of Assets

As at 31 December 2017, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, land use rights, property, plant and equipment, and concession rights (31 December 2016: rights to collect revenue from power sales and waste handling services, bank deposits, land use rights, property, plant and equipment and concession rights) with an aggregate carrying amount of HK$3,098.9 million (31 December 2016: HK$2,097.8 million) to certain banks to secure certain credit facilities granted to the Group.

Human Resources

As at 31 December 2017, the Group employed a total of 901 employees, 29 of them were at management level. By geographical locations, it had 880 employees in the PRC and 21 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 at the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2017 were HK$153.8 million (2016: HK$113.7 million).

Fund Formation with BOC & UTRUST and Utrust International

In January 2017, the Group entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST and Utrust International. Pursuant to the agreement, (i) Utrust Partners shall assist the Company in business expansion and sourcing of new projects, and fully support the Company in obtaining WTE projects in Guangdong Province, with the form of collaboration not limited to signing strategic cooperation agreements or memorandums of cooperation with local government authorities within Guangdong Province and other relevant parties; (ii) Utrust Partners shall give full support to the Group's business development, including the coordination of relevant policy funds (including but not limited to relevant funds for PPP projects and Guangdong silk road fund, etc.) under the entrusted management of Utrust Holdings and its companies and the provision of funding support to the projects of the Group to the extent that the project is consistent with the investment direction of such funds; and (iii) the Company intends to establish an industrial fund for clean environmental projects jointly with Utrust Partners to give full support for the technological upgrade projects and business development of the Group. Please refer to the announcement of the Company dated 4 January 2017 for further details.

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

Appointment of Non-executive Director and Independent Non-executive Director

With effect from 31 March 2017, Mr. Feng Jun has been appointed as a non-executive Director of the Company and Mr. Chung Kwok Nam has been appointed as an independent non-executive Director of the Company.

DIVIDENDS

During the year, the Company declared an interim dividend of HK1.3 cents per ordinary share. (2016: HK1.1 cents). The Board has proposed the payment of a final dividend of HK2.0 cents (2016: HK1.6 cents) per ordinary share to the shareholders. Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 15 June 2018 ("2018 AGM"), the proposed final dividend are expected to be paid on Friday, 6 July 2018 to shareholders whose names appear on the register of members of the Company on Tuesday, 26 June 2018.

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of shareholders who are entitled to attend and vote at the 2018 AGM

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Monday, 11 June 2018
Period of closure of register of members	:	Tuesday, 12 June 2018 to Friday, 15 June 2018 (both dates inclusive)

To determine the shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	:	Wednesday, 20 June 2018
Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 21 June 2018
Period of closure of register of members	:	Friday, 22 June 2018 to Tuesday, 26 June 2018 (both dates inclusive)
Record date	:	Tuesday, 26 June 2018

To qualify for attending and voting at the 2018 AGM and/or entitlement to the final dividend, all properly completed transfer forms accompanied by the share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of shares.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Friday, 15 June 2018. Notice of the 2018 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

PUBLIC FLOAT

Based on the information that is available to the Company and to the best knowledge and belief of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital held by the public for the year ended 31 December 2017 and as at the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2017, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has complied with the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2017.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2017 containing all the information required under the Listing Rules will be dispatched to the Company's shareholders and will be posted on the above websites in due course.

BOARD OF DIRECTORS

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

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

Hong Kong, 19 March 2018

GLOSSARY

AEP	AEP Green Power, Limited, a private company limited by shares incorporated under the laws of the Republic of Mauritius with limited liability and is an investment subsidiary of Asia Environmental Partners, L.P. and its parallel fund and is a pre-IPO investor of the Company
AGM	Annual general meeting
Beiliu	Beiliu Yuefeng Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 3 June 2016 and a 80% indirectly owned subsidiary of the Company
Board	the board of Directors
BOC & UTRUST	BOC & UTRUST Private Equity Fund Management (GuangDong) Co., Ltd.** (中銀粵財股權投資基金管理(廣東)有限公司), a company established in the PRC with limited liability and is a joint venture of Utrust Holdings and Bank of China Group Investment Limited
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements

China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited** (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 5 November 2004 and an indirect wholly owned subsidiary of the Company. It received an consent from the regulatory authority to extend the concession period for ten years during the year
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Dianbai	Maoming Yuefeng Environmental Power Company Limited** (茂名粵豐環保電力有公司), a company established under the laws of the PRC with limited liability on 11 December 2017 and an indirectly wholly owned subsidiary of the Company
Director(s)	director(s) of the Company
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eco-Tech	Dongguan Eco-Tech Environmental Power Company Limited** (東莞市科偉環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 June 2003 and an indirect wholly owned subsidiary of the Company
Fund	Zhuhai Hengqin Utrust Canvest Clean Energy Industry Acquisition Investment Fund L.P.** (珠海橫琴粵財粵豐清潔能源產業併購合夥企業(有限合夥)), a limited partnership to be established under the laws of the PRC pursuant to the Partnership Agreement
Group	the Company and its subsidiaries
Guangdong Utrust	Guangdong Utrust Trust Company Limited** (廣東粵財信託有限公司), a company established in the PRC with limited liability

Hangzhou Langneng	Hangzhou Langneng Environmental Company Limited** (杭州朗能環保科技有限公司), a company established in the PRC with limited liability
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
IFC	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
Jianyang Yuefeng	Jianyang Yuefeng Environmental Power Company Limited** (簡陽粵豐環保電力有限公司), a company established in the PRC with limited liability
Kewei	Dongguan Kewei Environmental Power Company Limited** (東莞科維環保投資有限公司) (formerly known as 東莞市科維環保電力有限公司), a company established under the laws of the PRC with limited liability on 13 February 2009 and an indirect wholly owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin	Laibin Zhongke Environmental Power Company Limited** (來賓中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 January 2005 and an indirect wholly owned subsidiary of the Company
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

Lufeng	Lufeng Yuefeng Environmental Power Company Limited** (陸豐粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 21 November 2016 and an indirect wholly owned subsidiary of the Company
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Partnership Agreement	Partnership agreement dated 4 December 2017 entered into between Kewei, Yuezhan Investment, Guangdong Utrust and BOC & UTRUST
RMB	Renminbi, the lawful currency of PRC
Share(s)	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Hong Kong Stock Exchange (stock code: 363)
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
Utrust Holdings	Utrust Investment Holdings Limited** (廣東粵財投資控股有限公司), a company established in the PRC with limited liability

Utrust International	Guangdong Finance Investment International Co., Limited (粵財控股香港國際有限公司), a company incorporated under the laws of Hong Kong with limited liability
Utrust Partners	BOC & UTRUST and Utrust International
VAT	Value-added tax
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xiamen Kun Yue	Xiamen Kun Yue Environmental Company Limited** (廈門坤躍環保有限公司), a company established in the PRC with limited liability
Xingyi	Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited** (黔西南州興義市鴻大環保電力有限公司), a company established under the laws of the PRC with limited liability on 12 January 2012 and an indirect wholly owned subsidiary of the Company
Xinyi	Xinyi Yuefeng Environmental Power Company Limited** (信宜粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 17 March 2017 and an indirectly wholly owned subsidiary of the Company
Xuwen	Xuwen Yufeng Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 January 2018 and an indirectly wholly owned subsidiary of the Company
Yi Feng	Yi Feng Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
Yuezhan Investment	Yuezhan Environmental Investment (Guangdong) Company Limited** (粵展環保投資(廣東)有限公司), a company established under the laws of the PRC with limited liability on 27 February 2017, an indirectly wholly owned subsidiary of the Company
Zhanjiang	Zhanjiang Yuefeng Environmental Power Company Limited** (湛江市粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 3 April 2013 and an indirectly wholly owned subsidiary of the Company

Zhongshan	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company established in the PRC with limited liability
%	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 the inclusion of non-HKFRS measures provides consistency in our financial reporting.

** *For identification purposes only*