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 2018

HIGHLIGHTS

Financial Highlights

	For the year ended 31 December		
	2018	2017	Change
Revenue *(HK$'000)*	**3,325,894**	2,397,531	+38.7%
Included: Revenue from power sales and waste treatment *(HK$'000)*	**1,563,691**	1,079,171	+44.9%
Gross profit *(HK$'000)*	**1,097,092**	818,664	+34.0%
EBITDA *(HK$'000)*	**1,312,088**	943,782	+39.0%
Profit for the year *(HK$'000)*	**754,355**	564,247	+33.7%
Profit attributable to equity holders of the Company *(HK$'000)*	**754,364**	564,247	+33.7%
Basic earnings per Share *(HK cents)*	**30.7**	24.0	+27.9%
Proposed final dividend per Share *(HK cents)*	**2.7**	2.0	+35.0%
Cash generated from operating projects *(HK$'000)*[(1)]	**1,118,120**	646,209	+73.0%

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 implemented innocuous treatment of waste volume amounted to 5,033,698 tonnes, representing an increase of 42.7% as compared with 2017. The Group generated 2,053,530,000kWh from green energy, saving 618,641 tonnes of standard coal and reducing emission of carbon dioxide by 2,323,000 tonnes.
- During the year, phase 1 of Beiliu WTE plant and phase 1 of Lufeng WTE plant commenced trial operation.
- In March 2018, Kewei acquired 100% equity interest in Dongguan Lujia. Dongguan Lujia holds a 35% equity interest in Dongguan Xindongyue, which owns the first fly ash landfill project in Dongguan City.
- In March 2018, Canvest (China) acquired 41% equity interest in Johnson, which is principally engaged in the provision of environmental hygiene services for government, commercial, and industrial markets in Hong Kong.
- In May 2018, the Group obtained a term loan facility of HK$1,176.0 million from seven banks and financial institutions, including IFC, a Shareholder of the Company. The aggregate amount of the term loan facility increased to HK$1,409.2 million in July 2018.
- During the year, construction of Canvest Environmental Protection Theme Pavilion in Dongguan, which is one of the largest pavilions with environmental theme in China, was completed.
- In November 2018, Canvest (China) acquired 100% equity in Open Mind. Open Mind indirectly holds 40% equity interest in Zhangzhan Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC.
- In December 2018, Yuezhan Intelligent Environmental acquired 100% equity interest in Sichuan Jiajieyuan, which is principally engaged in the provision of cleaning and waste management services in Sichuan Province.
- In December 2018, World Prosperous entered into a capital increase agreement with Zaozhuang Zhongke and its existing shareholders. Zaozhuang Zhongke operates a WTE plant in Zaozhuang City of Shandong Province.
- In December 2018, Kewei was conditionally awarded the concession right in relation to the WTE plant in Linfen City of Shanxi Province.
- In January 2019, Kewei was conditionally awarded the PPP concession right in relation to the WTE plant in Mancheng district of Baoding City of Hebei Province.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2018.

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 2018 (the "year").

With the Chinese central government's firm commitment to preserve its environment and to treat the massive volume of waste in the nation effectively and efficiently, the support of waste-to-energy ("WTE") treatment has become an important agenda to Government's policies. As directed by the 13th Five Year Plan for Environmental Protection Standards, the preferred treatment for municipal waste would be incineration. By the end of the 13th Five Year Plan, the average incineration rate should reach 54% nation-wide, which translates into tremendous development potential for the WTE industry.

Municipal solid waste ("MSW") treatment targets adopted by regional governments facilitate Canvest to accelerate its business development pace. The Group successfully seized the development opportunities by adhering to the core strategy of "fostering new momentum, exploring new business opportunities, building competitive advantages", embracing challenges and achieving steady growth. With strong management and execution capabilities, Canvest has been growing rapidly with stellar financial and operational performance, which helps to strengthen its market leading position and stay invigorated albeit fierce competition in the market. Leveraging on Canvest's mergers and acquisitions strategy, the Group successfully obtained the Zaozhuang project in 2018, which further expands the Group's geographic footprint in the Shandong Province. With the successful tenders of the Linfen project in Shanxi Province and the Mancheng project in Hebei province, the Group is in a vantage position to gain more traction in the northern cities.

Our strategic and second largest Shareholder, Shanghai Industrial Holdings Limited ("SIHL"), has increased their shareholding in Canvest from 14.52% to 17.52%, by acquiring a total of 73,660,000 Shares of the Company on 14 December 2018. We welcome the support from SIHL and will continue to work closely with the team at SIHL to develop new project opportunities by leveraging on SIHL's network and resources.

Financial Performance

During the year, the Group's revenue increased by 38.7% year-on-year to HK$3,325.9 million and the profit attributable to equity holders of the Company increased by 33.7% year-on-year to HK$754.4 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 HK2.7 cents per ordinary Share for the year ended 31 December 2018 (2017: HK2.0 cents). If approved by Shareholders, the total dividend of 2018 would be HK4.6 cents per Share (2017: HK3.3 cents).

Business Review

As at 31 December 2018, we have secured 19 WTE projects with 11 in operation. As at the date of this announcement, we have secured 22 WTE projects, with 13 in operation, and the remaining 9 projects are progressing as planned. The total operating, secured, announced and managed daily MSW processing capacity amounted to 32,440 tonnes.

During the year, Canvest further expanded its foothold to other Chinese provinces. We were conditionally awarded the Linfen WTE project in Shanxi Province with a total daily MSW processing capacity of 1,200 tonnes and also obtained the Zaozhuang WTE project in Shandong Province with a total daily MSW processing capacity of 1,800 tonnes, of which phase 1 will undergo technological upgrade soon. In addition, we were awarded the Mancheng WTE plant public-private-partnership project in Hebei Province in January 2019 and the total daily MSW processing capacity of the project is 1,000 tonnes.

Phase 1 of the Beiliu WTE plant and phase 1 of the Lufeng WTE plant had commenced trial operation during the year and started generating operating revenue for the Group. The Xinfeng project had commenced trial operation during the first quarter of 2019, and Xinyi, Dianbai and Xuwen WTE projects are under construction according to schedule. In December 2018, our Zhanjiang WTE plant was awarded and recognised as "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), which is the highest grade in the grading system, in recognition of the high quality standard of our WTE plants.

During the year, Canvest successfully expanded its business along the value chain, by: (i) acquiring a 41% equity interest in Johnson, a leading environmental hygiene service provider in Hong Kong; (ii) acquiring a 100% stake in Dongguan Lujia, which indirectly holds 35% of the rights to operate the first fly ash landfill project in Dongguan City; and (iii) acquiring Open Mind, which holds 40% equity interest in Zhongzhou Environmental, a bottom ash treatment company. These acquisitions allow Canvest to enter the upstream waste collection business and downstream waste treatment business, thereby helping the Group to gain knowledge and experience in industries related to the core WTE business.

During the year, the Group secured a loan facility of HK$1,409.2 million from 7 international banks and financial institutions, which was led by one of our Shareholders, the IFC. The loan facility, along with self-generated cash flow from operating projects, will support the future business development of the Group.

In recognition of our investor relations effort, we are pleased to receive many prestigious awards and for the first time under the "Mid Cap" category, from HKIRA's Investor Relations Awards. In addition, we are honored to be named the Best in Sector — Utilities by the IR Magazine Awards — Greater China 2018.

Making contributions to the society is important to Canvest. The opening of the Canvest Environmental Protection Theme Pavilion in Dongguan has helped to promote environmental awareness and understanding of WTE technologies. During the year, we have supported different charities and community projects, including providing financial aid to underprivileged students and organizing visits to the elderly and those in need.

Outlook

The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" was released in February 2019 by the Central Committee of the Communist Party of China and the State Council, which aims to develop the Guangdong-Hong Kong-Macao Greater Bay Area into an international innovation and technology hub, and set "a role model of high-quality development". The plan calls for deepened cooperation among the nine Pearl River Delta cities to increase the level of market integration in the Greater Bay Area, therefore benefiting the Pearl River-Xijiang economic zone and propelling the development in South Central China and Southwest China, as well as in Southeast and Southern Asia. The plan promises to act on the principles of prioritizing resource conservation and environmental protection, so that the beautiful environment with bluer skies, green mountains and clear water and rapid economic development can co-exist in the Greater Bay Area. With accelerated economic development and further urbanization, and the commitment to build a green environment, the region will be full of new business opportunities. We are confident that our extensive project development and operational experience in the Greater Bay Area, coupled with the vast resources of our partner Huafa Group, a leading state-owned enterprise in Zhuhai, will place us ahead of the competition to capture new opportunities in the region.

Meanwhile, we will continue to enhance our management and technical capacities in order to maximize operational efficiencies. In addition, we will continue to carry out strategic expansion through mergers and acquisitions. As more resources are being allocated by the Central Government of the PRC to ensure full compliance of the environmental standards by WTE plants, we see many new opportunities from brownfield projects for upgrading and cooperation emerging from the market. Furthermore, we will continue to explore development opportunities along the value chain and to other waste types treatment projects, such as hazardous waste and industrial waste. By offering integrated environmental services, synergies with the Group's core WTE business will be created and overall efficiency of the Group will be optimized.

Looking ahead to the challenges and opportunities, we will continue our mission "to protect the blue sky and clean water, and to build a beautiful home", to focus on expanding our environmental business and pursuing comprehensive development in all aspects. We will adhere to the corporate principles of serving and making contribution to the society, and collaborating with our partners to reach new heights in the coming year.

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, 25 March 2019

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**3,325,894**	2,397,531
Cost of sales	*3*	**(2,228,802)**	(1,578,867)
Gross profit		**1,097,092**	818,664
General and administrative expenses	*3*	**(228,299)**	(164,701)
Other income	*4*	**130,290**	106,596
Other losses, net	*5*	**(8,830)**	(11,406)
Operating profit		**990,253**	749,153
Interest income	*6*	**6,146**	6,438
Interest expense	*6*	**(176,136)**	(112,010)
Interest expense, net		**(169,990)**	(105,572)
Share of net profits of associates and a joint venture		**32,004**	—
Profit before income tax		**852,267**	643,581
Income tax expense	*7*	**(97,912)**	(79,334)
Profit for the year		**754,355**	564,247
Attributable to:			
Equity holders of the Company		**754,364**	564,247
Non-controlling interests		**(9)**	—
		754,355	564,247
Earnings per share			
— basic *(expressed in HK cents per share)*	*8*	**30.7**	24.0
— diluted *(expressed in HK cents per share)*	*8*	**30.7**	24.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**754,355**	564,247
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(217,975)**	240,508
Other comprehensive (loss)/income for the year, net of tax	**(217,975)**	240,508
Total comprehensive income for the year	**536,380**	804,755
Attributable to:		
Equity holders of the Company	**536,389**	804,755
Non-controlling interests	**(9)**	—
Total comprehensive income for the year	**536,380**	804,755

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**136,324**	146,592
Property, plant and equipment		**1,391,567**	1,519,135
Intangible assets		**4,962,118**	3,883,448
Investments in associates and a joint venture		**437,328**	—
Long-term deposits and prepayments	*9*	**630,684**	710,756
Receivables under service concession arrangements		**1,339,602**	1,027,432
		8,897,623	7,287,363
Current assets			
Inventories		**5,725**	2,314
Receivables under service concession arrangements		**101,050**	64,885
Trade and bills receivables	*9*	**260,323**	260,191
Other receivables, deposits and prepayments	*9*	**329,151**	281,595
Restricted deposits		**6,949**	14,786
Cash and cash equivalents		**1,317,431**	1,347,803
		2,020,629	1,971,574
Total assets		**10,918,252**	9,258,937
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**24,549**	24,553
Share premium		**2,695,700**	2,697,306
Other reserves		**494,227**	694,339
Retained earnings		**2,078,971**	1,474,108
		5,293,447	4,890,306
Non-controlling interests		**1,110**	—
Total equity		**5,294,557**	4,890,306

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	*10*	**172,238**	106,401
Deferred government grants		**99,761**	109,663
Other non-current liabilities		**4,350**	3,697
Deferred income tax liabilities		**392,074**	316,127
Bank borrowings		**3,616,936**	2,797,061
		4,285,359	3,332,949
Current liabilities			
Trade and other payables	*10*	**796,012**	640,971
Deferred government grants		**4,822**	5,520
Current income tax liabilities		**25,635**	26,393
Bank borrowings		**511,867**	362,798
		1,338,336	1,035,682
Total liabilities		**5,623,695**	4,368,631
Total equity and liabilities		**10,918,252**	9,258,937
Net current assets		**682,293**	935,892
Total assets less current liabilities		**9,579,916**	8,223,255

Notes:

1 BASIS OF PREPARATION

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

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

1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for current reporting period. Of these, the following are relevant to the Group's consolidated financial statements:

- HKFRS 9 "Financial Instruments" ("HKFRS 9"), and
- HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

The adoption of HKFRS 15 did not have any material impact on the Group's consolidated financial statements. To reflect the terminology of HKFRS 15, the Group reclassified "Gross amounts due from customers for contract work" to "Receivables under service concession arrangements" which represents contract assets under HKFRS 15.

HKFRS 9 replaces the provisions of Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Management" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impact of adoption

(i) Classification and measurement of financial instruments

The financial assets held by the Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9.

There is 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.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to HKFRS 9's new expected credit loss 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 expected credit losses 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. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade and bills receivables and receivables under service concession arrangements as at 1 January 2018.

(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-month expected credit loss. It is the portion of lifetime expected credit loss 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 expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

(b) Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, 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 Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK$21,192,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

2 REVENUE AND SEGMENT INFORMATION

The chief operating decision-marker 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 2018, 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 (2017: 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 2018 (2017: same).

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Revenue from power sales	**1,129,326**	772,609
Waste treatment fee	**434,365**	306,562
Construction revenue arising from build-operate-transfer ("BOT") arrangement	**1,696,409**	1,265,853
Finance income arising from BOT arrangement	**65,794**	52,507
	3,325,894	2,397,531

For the year ended 31 December 2018, the Group had transactions with three (2017: four) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK$787,515,000, HK$772,650,000 and HK$493,030,000 were derived from the largest, second largest and third largest customer for the year ended 31 December 2018, respectively, while 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.

3 EXPENSES BY NATURE

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Maintenance cost	**103,961**	90,489
Environmental protection expenses	**229,071**	121,724
Auditors' remuneration		
— Audit services	**3,536**	3,214
— Non-audit services	**192**	959
Employee benefit expenses	**228,395**	153,787
Depreciation and amortisation		
— Land use rights	**3,665**	3,566
— Property, plant and equipment	**120,167**	106,502
— Intangible assets	**159,853**	78,123
Operating lease rentals	**10,999**	9,240
Construction cost recognised for construction of BOT projects (included in cost of sales)	**1,413,675**	1,054,877

4 OTHER INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Value-added tax refund *(Note (i))*	**101,182**	66,976
Management income *(Note (ii))*	**6,990**	27,170
Government grants	**5,061**	1,175
Others	**17,057**	11,275
	130,290	106,596

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 2018 is derived from the provision of management services to a company whose directors consist of key management personnel from the Group (2017: same).

5 OTHER LOSSES, NET

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Loss on disposals of property, plant and equipment	**3,315**	6,155
Exchange losses, net	**5,515**	5,251
	8,830	11,406

6 INTEREST INCOME AND EXPENSE

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**(181,250)**	(126,662)
Imputed interest expenses on convertible loan	**—**	(10,813)
	(181,250)	(137,475)
Less: amount capitalised on qualifying assets	**5,114**	25,465
	(176,136)	(112,010)
Interest income from bank deposits	**6,146**	6,438
Interest expense, net	**(169,990)**	(105,572)

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current income tax		
PRC enterprise income tax	**32,205**	33,972
Hong Kong profits tax	**—**	—
Total current income tax	**32,205**	33,972
Deferred income tax	**65,707**	45,362
Income tax expense	**97,912**	79,334

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 2018 and 2017. 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 2018 (2017: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the year ended 31 December 2018 and 2017 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for an 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.

8 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company and weighted average number of ordinary shares in issue during the period.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company *(HK$'000)*	**754,364**	564,247
Weighted average number of ordinary shares in issue *(thousand shares)*	**2,455,236**	2,350,806
Basic earnings per share *(HK cents)*	**30.7**	24.0

(b) Diluted

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

The Company has one (2017: two categories) dilutive potential ordinary share: share options (2017: 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 period has been adjusted to eliminate the interest expense of the convertible loan.

Diluted earnings per share for the year ended 31 December 2018 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

Diluted earnings per share for the 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 on the basic earnings per share.

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Deposits for investments	**558,283**	508,597
Prepayments for property, plant and equipment and concession rights	**66,843**	196,329
Rental deposits	**1,845**	1,617
Other prepayments	**3,713**	4,213
	630,684	710,756
Current assets		
Trade receivables	**259,844**	260,191
Bills receivables	**479**	—
Deposits and prepayments	**42,681**	16,913
Other receivables *(Note)*	**127,476**	106,709
Value-added tax recoverable	**158,994**	157,973
	589,474	541,786
	1,220,158	1,252,542

Note: As at 31 December 2018 and 2017, the balance mainly include receivables in relation to the management service income (Note 4) from a company whose directors consist of the Group's key management personnel.

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

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Up to 1 month	**116,832**	83,501
1 to 3 months	**53,098**	107,944
3 to 6 months	**28,516**	46,373
Over 6 months	**38,268**	22,373
	236,714	260,191
Unbilled receivables *(note)*	**23,130**	—
	259,844	260,191

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects into the Renewable Energy Tariff Subsidy Catalogue pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables *(Note)*	**172,238**	106,401
Current liabilities		
Trade payables	**198,730**	113,078
Accruals and other payables (Note)	**597,282**	527,893
	796,012	640,971
	968,250	747,372

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	
	2018	2017
	HK$'000	*HK$'000*
Up to 1 month	**115,186**	72,076
1 to 2 months	**49,816**	12,213
2 to 3 months	**23,906**	7,021
Over 3 months	**9,822**	21,768
	198,730	113,078

11 DIVIDEND

The Board has proposed the payment of a final dividend of HK2.7 cents per ordinary share for the year ended 31 December 2018 (2017: HK2.0 cents per ordinary share), totaling to HK$66,283,000 (2017: HK$49,107,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,454,932,169 shares) at the date of this announcement (i.e. 25 March 2019).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Thursday, 13 June 2019, the proposed final dividend are expected to be paid on Friday, 5 July 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.

The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2018.

During the year ended 31 December 2018, the Company has declared an interim dividend of HK1.9 cents per ordinary share (2017: HK1.3 cents per ordinary share), totaling to HK$46,651,000 (2017: HK$31,919,000).

12 EVENTS AFTER BALANCE SHEET DATE

(a) In January 2019, the Group has entered into the framework agreement in relation to the WTE plant public-private-partnership project located in Mancheng district of Baoding city of Hebei Province with the Mancheng Housing and Urban and Rural Bureau of Construction in Baoding City. The total daily municipal solid waste processing capacity of this WTE Plant shall be 1,000 tonnes.

(b) On 18 March 2019, the Group entered into the joint venture 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 this 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.

This project company will become an associate of the Group and its financial results will be accounted for using equity method of accounting in the consolidated financial statements of the Group.

(c) On 21 March 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Bazhong Weiao Environmental Power Company Limited ("Bazhong Weiao"), a company established in the PRC with limited liability at a consideration of RMB222,380,000 (equivalent to HK$261,096,000). Bazhong Weiao owns the BOT concession right to operate a WTE plant in Bazhong City, Sichuan Province with a total daily municipal solid waste processing capacity of 1,200 tonnes. At the date of the announcement, the transaction has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

To promote a conservation culture, the Central Government of the PRC continued to promulgate many policies to support the development of the "Plan for non-hazardous waste treatment facilities under the 13th FYP". The 19th National Congress of the Communist Party of China ("CPC") further reinforced the efforts to this topic.

With the incorporation of conservation culture to the constitution of the CPC and the philosophy of "Lucid Waters and Lust Mountains are Invaluable Assets", the Central Government of the PRC commissioned the Ministry of Ecology and Environmental ("MEE") to take on all duties of environmental protection.

In 2018, Ministry of Finance of the PRC, State Taxation Administration and MEE jointly announced the detailed notice in relation to the environmental protection tax to the pollutants (關於明確環境保護稅應稅污染物適用等有關問題的通知) and revisit actions (回頭看) from the inspection teams. All of the abovementioned initiatives aim at fostering the goal of "Building a Beautiful China".

The Group continued to pursue efficiency, quality and safety through the internal policy, control and effective management. Phase 1 of Beiliu WTE plant and phase 1 of Lufeng WTE plant commenced trial operation in 2018. Together with the stable contribution from the existing plants, the Group recorded satisfactory results for the year ended 31 December 2018.

Overall Performance

For the year ended 31 December 2018, the Group's revenue was HK$3,325.9 million (2017: HK$2,397.5 million), representing an increase of 38.7% over 2017. Revenue from power sales and waste treatment was HK$1,563.7 million (2017: HK$1,079.2 million), representing an increase of 44.9%. The operating profit was HK$990.3 million (2017: HK$749.2 million). Profit attributable to equity holders of the Company was HK$754.4 million (2017: HK$564.2 million), representing an increase of 33.7%. Basic earnings per share was HK30.7 cents (2017: HK24.0 cents).

During the year, the Group implemented innocuous treatment of waste volume amounted to 5,033,698 tonnes, representing an increase of 42.7% as compared with 2017. The Group generated 2,053,530,000kWh from green energy, saving 618,641 tonnes of standard coal and reducing emission of carbon dioxide by 2,323,000 tonnes.

I. Waste-to-energy Business

Processing Capacity

Operating Processing Capacity

As at 31 December 2018, the operating daily MSW processing capacity of 11 projects of the Group (including the project under management) reached 14,740 tonnes.

Total Processing Capacity

As at 31 December 2018, the operating, secured, announced and under management agreement daily MSW processing capacity of our 19 projects was 29,040 tonnes. As at the date of this announcement, the operating, secured, announced and under management agreement daily MSW processing capacity of our 22 projects was 32,440 tonnes.

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

	No. of projects	**Daily MSW processing capacity** *(tonnes)*
Southern China Region	15	22,240
Western China Region	2	4,200
Eastern China Region	2	3,000
Northern China Region	2	2,200
Central China Region	1	800
Total	**22**	**32,440**

Projects

There are 22 operating, secured, announced and managed projects in our portfolio as at the date of this announcement.

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

Location	Project(s)	Year ended 31 December 2018	2017
Southern China Region			
Guangdong Province	**Eco-Tech I WTE plant**		
	Waste treatment		
	Processed MSW *(tonnes)*	**642,937**	615,600
	Power generation		
	Power generated *(MWh)*	**295,969**	281,365
	Power sold *(MWh)*	**263,848**	250,856
	Eco-Tech II WTE plant *(Note 2)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**680,069**	498,879
	Power generation		
	Power generated *(MWh)*	**345,491**	235,875
	Power sold *(MWh)*	**310,946**	208,753
	Kewei WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**576,305**	560,328
	Power generation		
	Power generated *(MWh)*	**247,685**	249,277
	Power sold *(MWh)*	**218,018**	222,750
	China Scivest I WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**755,315**	711,542
	Power generation		
	Power generated *(MWh)*	**295,896**	294,187
	Power sold *(MWh)*	**261,232**	255,620
	China Scivest II WTE plant *(Note 3)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**528,133**	98,164
	Power generation		
	Power generated *(MWh)*	**263,236**	47,828
	Power sold *(MWh)*	**232,116**	42,936

Location	Project(s)	Year ended 31 December 2018	2017
Guangdong Province	**Lufeng WTE plant** *(Note 4)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**74,657**	N/A
	Power generation		
	Power generated *(MWh)*	**24,803**	N/A
	Power sold *(MWh)*	**20,469**	N/A
	Zhanjiang WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**666,408**	575,690
	Power generation		
	Power generated *(MWh)*	**215,572**	190,681
	Power sold *(MWh)*	**188,197**	166,030
Guizhou Province	**Xingyi WTE plant** *(Note 5)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**384,902**	300,686
	Power generation		
	Power generated *(MWh)*	**124,823**	95,058
	Power sold *(MWh)*	**103,265**	77,052
Guangxi Zhuang Autonomous Region	**Beiliu WTE plant** *(Note 6)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**263,948**	N/A
	Power generation		
	Power generated *(MWh)*	**92,104**	N/A
	Power sold *(MWh)*	**77,383**	N/A
	Laibin WTE plant *(Note 7)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**461,024**	166,332
	Power generation		
	Power generated *(MWh)*	**147,951**	58,057
	Power sold *(MWh)*	**124,712**	48,907

Location	Project(s)	Year ended 31 December 2018	2017
Total	***Waste treatment***		
	Processed MSW *(tonnes)*	**5,033,698**	3,527,221
	Power generation		
	Power generated *(MWh)*	**2,053,530**	1,452,328
	Power sold *(MWh)*	**1,800,186**	1,272,904

Note 1: The difference between the power generated and the power sold is attributable to various factors, including 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: Phase 1 of Lufeng WTE plant commenced trial operation in the second half of 2018.

Note 5: Phase 2 of Xingyi WTE plant commenced operation in the first half of 2017.

Note 6: Phase 1 of Beiliu WTE plant commenced trial operation in the first half of 2018.

Note 7: Technological upgrade of Laibin WTE plant have been completed and resumed trial operation in the second half of 2017.

Southern China Region

Guangdong Province

Eco-Tech I & II WTE plants, Kewei WTE plant, China Scivest I & II WTE plants, Zhanjiang WTE plant, Zhongshan WTE plant (a project under management), continued to provide contributions in 2018.

Construction of phase 1 of Lufeng WTE plant was completed and its trial operation commenced in the second half of 2018.

Phase 1 of Dianbai WTE plant and Xinyi WTE plant are under construction, while construction of Xuwen WTE plant commenced in the first half of 2019 and Qingyuan WTE plant is still under planning.

Guizhou Province

Phase 2 of Xingyi WTE plant commenced operation in first half of 2017. It continued to provide contributions in 2018.

Guangxi Zhuang Autonomous Region

Laibin WTE plant provided stable contribution in 2018. Phase 1 of Beiliu WTE plant commenced trial operation in the first half of 2018 and phase 2 of Beiliu WTE plant is under construction and is expected to commence trial operation in the first half of 2019. On 30 May 2018, the Group acquired 100% equity interest in Beiliu Runtong at a consideration of RMB30.3 million (equivalent to HK$35.9 million). This transaction was completed on 30 June 2018.

Western China Region

Sichuan Province

Jianyang WTE plant is under planning. On 27 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng at a consideration of RMB87.0 million (equivalent to HK$98.2 million). It holds 50% equity interest in Jianyang Canvest, which in turn holds the Jianyang WTE plant. The transaction was completed in November 2018.

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. The total daily municipal solid waste processing capacity of the WTE plant is 1,200 tonnes, of which phase 1 is 600 tonnes (currently in operation) and phase 2 is 600 tonnes (under planning). Please refer to the announcement of the Company dated 21 March 2019 for further details.

Eastern China Region

Shandong Province

In December 2018, the Group has entered into the capital increase agreement with Zaozhuang Zhongke and its existing shareholders. It currently operates phase 1 of the WTE plant in Zaozhuang City, Shandong Province. The Group will undergo technological upgrade for phase 1 of this plant and phase 2 of this plant is under planning. Please refer to the announcement of the Company dated 13 December 2018 for further details.

On 18 March 2019, the Group entered into a joint venture 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 total daily municipal solid waste processing capacity of the WTE project shall be 1,200 tonnes. Please refer to the announcement of the Company dated 19 March 2019 for further details.

Northern China Region

Shanxi Province

In December 2018, the Group was conditionally awarded the concession rights in relation to a WTE plant located in Linfen City of Shanxi Province. A framework agreement was entered in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 10 December 2018 for further details.

Hebei Province

In January 2019, the Group was awarded the PPP project in relation to a WTE plant located in Mancheng district of Baoding City of Hebei Province. An agreement in relation to the award of the tender was entered into in this regard. The project is in the planning stage. Please refer to the announcement of the Company dated 21 January 2019 for further details.

Central China Region

Jiangxi Province

Construction of Xinfeng WTE plant was substantially completed and its trial operation commenced in the first half of 2019.

II. Environmental Hygiene and Related Services

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

The Group acquired 100% equity interest in Dongguan Lujia in March 2018. It holds a 35% equity interest in Dongguan Xindongyue, which currently owns the first landfill project for fly ash in Dongguan City. In 2018, Dongguan Xindongyue processed 130,903 tonnes solidified fly ash under the strict treatment requirement by the local environment authority.

The Group entered into an agreement in relation to the acquisition of 100% equity interest in Open Mind in November 2018. It ultimately 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. Construction of the project was completed and its trial operation commenced in the first half of 2019.

On 13 December 2018, Yuezhan Intelligent Environmental entered into the sale and purchase agreement of share with independent third parties, pursuant to which Yuezhan Intelligent Environmental acquired 100% equity interest of Sichuan Jiajieyuan at a consideration of RMB80.0 million (equivalent to HK$91.3 million). The transaction was completed on 28 December 2018. Sichuan Jiajieyuan is principally engaged in the provision of environmental hygiene and related services in the PRC.

In March 2018, the Group acquired 41% equity interest in Johnson, a leading environmental hygiene service provider providing a wide range of environmental hygiene services in Hong Kong. According to an industry report, it ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2017. To further expand its market share and strengthen its leading market position, it submitted the application for new listing to Hong Kong Stock Exchange in January 2019.

Revenue

During the year, the Group's revenue reached HK$3,325.9 million, representing an increase of 38.7% when compared with HK$2,397.5 million in 2017. Among that, revenue from power sales and waste treatment fees for the year reached HK$1,563.7 million, representing an increase of 44.9% from 2017. Increase in total revenue was mainly contributed by the operating revenue of phase 1 of Beiliu WTE plant and phase 1 of Lufeng WTE plant after completion of construction, and full year impact of the operation of Eco-Tech II WTE plant, China Scivest II WTE plant and Laibin WTE plant.

The following table sets forth the breakdown of revenue for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from power sales	**1,129,326**	**33.9%**	772,609	32.2%
Revenue from waste treatment fees	**434,365**	**13.1%**	306,562	12.8%
Construction revenue arising from BOT arrangement	**1,696,409**	**51.0%**	1,265,853	52.8%
Finance income arising from BOT arrangement	**65,794**	**2.0%**	52,507	2.2%
Total	**3,325,894**	**100.0%**	2,397,531	100.0%

The following table sets forth the breakdown of revenue by region for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Southern China Region	**2,832,862**	**85.2%**	2,397,531	100.0%
Central China Region	**493,032**	**14.8%**	—	—
Total	**3,325,894**	**100%**	2,397,531	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 41.2% from HK$1,578.9 million in 2017 to HK$2,228.8 million in 2018. The increase were mainly attributable to the operating costs of new plants commencing operation and increase in construction cost.

Gross Profit and Gross Profit Margin

In 2017, gross profit of the Group amounted to HK$1,097.1 million, representing an increase of 34.0% as compared to HK$818.7 million in 2017. The increase in gross profit was mainly attributable to the contributions from the operating plants.

The following table sets forth the breakdown of the gross profit by nature for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Power sales and waste treatment operations	**748,564**	**68.2%**	555,183	67.8%
Construction service arising from BOT arrangement	**282,734**	**25.8%**	210,975	25.8%
Finance income arising from BOT arrangement	**65,794**	**6.0%**	52,506	6.4%
Total	**1,097,092**	**100.0%**	818,664	100.0%

Gross profit margin of the Group decreased from 34.1% in 2017 to 33.0% in 2018. The slight decrease was mainly due to the lower gross profit margin during the trial operation stage for new plants commencing operation.

The following table sets forth the gross profit margin by nature for the years ended 31 December 2018 and 2017:

	Year ended 31 December	
	2018	2017
	Gross profit margin	*Gross profit margin*
Power sales and waste treatment operations	**47.9%**	51.4%
Construction service arising from BOT arrangement	**16.7%**	16.7%
Finance income arising from BOT arrangement	**100.0%**	100.0%
Gross profit margin of the Group	**33.0%**	34.1%

General and Administrative Expenses

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

During the year, general and administrative expenses increased by 38.6% from HK$164.7 million in 2017 to HK$228.3 million in 2018. 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 22.2% from HK$106.6 million in 2017 to HK$130.3 million in 2018. It was mainly due to the additional operating plants which were entitled to have VAT refund.

Other Losses, Net

During the year, other net losses recorded HK$8.8 million as compared to HK$11.4 million in 2017. The decrease 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 plants in 2017, while no such loss was recorded in 2018.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the year, net interest expenses increased by 61.0% from HK$105.6 million in 2017 to HK$170.0 million in 2018. The increase in interest expenses was mainly due to finance costs related to Eco-Tech II WTE plant, China Scivest II WTE plant, phase 1 of Beiliu WTE and Laibin WTE plant were no longer eligible for capitalisation after construction works were completed and plants were ready for use and operate.

Income Tax Expenses

During the year, income tax expenses increased by 23.5% from HK$79.3 million in 2017 to HK$97.9 million in 2018. It is mainly attributable to the increase in deferred income tax as a result of the increase in construction income, which is partly offset by the decrease in current enterprise income tax.

Profit Attributable to the Equity Holders of the Company

During the year, profit attributable to the equity holders of the Company increased by 33.7%, from HK$564.2 million in 2017 to HK$754.4 million in 2018.

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$1,118.1 million cash from operating projects (2017: HK$646.2 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$1,271.9 million (2017: HK$1,314.4 million). As a result, total net cash used in operating activities amounted to HK$153.8 million during the year (2017: HK$668.2 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2018, total cash and cash equivalents of the Group were HK$1,317.4 million (31 December 2017: HK$1,347.8 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 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 not been fully utilized as at 31 December 2018 and as at the date of this announcement.

The use of proceeds as at 31 December 2018 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	526,167	186,443
Working capital and other general corporate purposes	305,403	305,403	—
Total	1,018,013	831,570	186,443

As at 31 December 2018, the unutilized net proceeds from the placing were deposited in bank accounts. The Group expects to fully utilize the unused net proceeds of expanding WTE business by developing greenfield projects or acquiring existing WTE plants by the end of the financial year ending 31 December 2019.

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 Canvest Yuezhan, 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 Canvest Yuezhan 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.

Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2018, the Group's bank borrowings was HK$4,128.8 million (31 December 2017: HK$3,159.9 million). Such bank borrowings were secured by pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2017: all denominated in Renminbi) and all of them were at floating interest rates (31 December 2017: same).

On 31 May 2018, the Company (as borrower) entered into a Common Terms Agreement and certain Loan Agreements thereunder (the "Agreements") relating to certain term loans in the aggregate amount of HK$1,176.0 million (the "Loans") with seven banks and financial institutions ("Senior Lenders"). The term of the Loans is 60 months commencing from the date of the Agreements. On 5 July 2018, the Company entered into supplemental agreements in respect of the Agreements with the Senior Lenders whereby the aggregate amount of the term loans contemplated under the Agreements was increased from HK$1,176.0 million to HK$1,409.2 million. Please refer to the announcement of the Company dated 31 May 2018 and 5 July 2018 for further details. As at the date of this announcement, HK$704.6 million had been utilised.

Net asset of the Group was HK$5,294.6 million (31 December 2017: HK$4,890.3 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 borrowings as at 31 December 2018 and 2017:

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Portion of term loans due to repayment after one year — secured	**3,616,936**	2,797,061
Portion of term loans due for repayment within one year — secured	**511,867**	362,798
Total bank borrowings	**4,128,803**	3,159,859

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2018, the gearing ratio was 51.5% (31 December 2017: 47.2%).

As at 31 December 2018, the Group had banking facilities (including the Loans) in the amount of HK$5,161.1 million, of which HK$1,012.7 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 2018, the total cost of borrowings of the Group was HK$176.1 million (2017: HK$112.0 million), representing an increase of HK$57.2% million. The increase was mainly attributable to the finance costs related to Eco-Tech II WTE plant, China Scivest II WTE plant, phase 1 of Beiliu WTE plant and Laibin 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 4.41% to 5.64% in 2018, while it was from 3.96% to 5.39% in 2017.

For the year ended 31 December 2018, no imputed interest expenses and interests paid in relation to the convertible loan were recorded. (2017: HK$10.8 million of imputed interest expenses and HK$3.0 million interest paid).

Foreign Exchange Risk

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 2018, the Group's capital commitments, which were authorised but not contracted for amounted to HK$2,867.7 million (31 December 2017: HK$2,377.3 million) and its capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$999.5 million (31 December 2017: HK$542.5 million) and capital commitment relating to, acquisition of subsidiaries amounted to HK$16.0 million (31 December 2017: Nil), capital injection in Zaozhuang Zhongke amounted to HK$284.0 million (31 December 2017: Nil) and the capital contribution to a joint venture of HK$74.2 million (31 December 2017: Nil).

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

Acquisition of 100% equity interest in Dongguan Lujia

On 23 March 2018, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Dongguan Lujia at a consideration of RMB93.0 million (equivalent to HK$110.3 million). Dongguan Lujia holds a 35% equity interest in Dongguan Xindongyue, which currently owns the first landfill project for fly ash in Dongguan City. Please refer to the announcement of the Company dated 23 March 2018 for further details. The transaction was completed on 30 June 2018.

Acquisition of 41% equity interest in Johnson

On 23 March 2018, the Group entered into an agreement in relation to the acquisition of 41% equity interest in Johnson at a consideration of HK$184.5 million. Johnson is principally engaged in the provision of cleaning and waste management services for government, commercial, and industrial markets in Hong Kong. Please refer to the announcement of the Company dated 23 March 2018 and 6 April 2018 for further details. This transaction was completed on 27 March 2018.

Acquisition of 100% equity interest in Open Mind

On 30 November 2018, the Group entered into an agreement in relation to the acquisition of 100% of Open Mind at a consideration of RMB140.0 million (equivalent to HK$158.0 million). Open Mind holds a 100% equity interest in Loyal Step, which in turn holds 40% equity interest in Zhongzhou Environmental. Zhongzhou Environmental is principally engaged in the treatment of bottom ash produced from the incineration of waste in the PRC. Please refer to the announcement of the Company dated 30 November 2018 for further details. As at the date of this announcement, the transaction has not been completed.

Acquisition of 100% equity interest in Sichuan Jiajieyuan

On 13 December 2018, Yuezhan Intelligent Environmental entered into the sale and purchase agreement of share with independent third parties, pursuant to which Yuezhan Intelligent Environmental acquired 100% equity interest of Sichuan Jiajieyuan at a consideration of RMB80.0 million (equivalent to HK$91.3 million). The transaction was completed on 28 December 2018. Sichuan Jiajieyuan is principally engaged in the provision of environmental hygiene and related services in the PRC.

Capital increase to Zaozhuang Zhongke

In December 2018, the Group has entered into the capital increase agreement with Zaozhuang Zhongke and its existing shareholders. It currently operates phase 1 of the WTE plant in Zaozhuang City, Shandong Province. The Group will undergo technological upgrade for phase 1 of this WTE plant and phase 2 of this WTE plant is under planning. Please refer to the announcement of the Company dated 13 December 2018 for further details.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company during the year ended 31 December 2018.

Capital Expenditures

For the year ended 31 December 2018, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounted to HK$1,454.1 million (2017: HK$1,392.8 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 2018.

Pledge of Assets

As at 31 December 2018, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, restricted deposits prepaid operating lease payments, property, plant and equipment, and concession rights with an aggregate carrying amount of HK$3,681.8 million (31 December 2017: HK$3,098.9 million) to certain banks to secure certain banking facilities granted to the Group.

Continuing Connected Transactions

On 12 July 2018, the Company entered into the leasing framework agreement ("Leasing Framework Agreement") with Yue Xing in relation to the leasing of its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive). This transaction is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval. 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 2018, the rent paid by the Group to Yue Xing was HK$2,739,000 (2017: HK$2,146,000). Please refer to the announcement of the Company dated 12 July 2018 for further details.

Human Resources

As at 31 December 2018, the Group employed a total of 2,559 employees, 41 of them were at management level. By geographical locations, it had 2,533 employees in the PRC and 26 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. 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 2018 were HK$228.4 million (2017: HK$153.8 million).

Events after Balance Sheet Date

Entered into a PPP agreement

In January 2019, the Group has entered into a framework agreement in relation to the WTE plant PPP project located in Mancheng district of Baoding city of Hebei Province (the "Mancheng WTE Plant") with the Mancheng Housing and Urban and Rural Bureau of Construction in Baoding City. The total daily municipal solid waste processing capacity of the Mancheng WTE Plant shall be 1,000 tonnes. Please refer to the announcement of the Company dated 21 January 2019. As at the date of this announcement, no concession agreement has been entered into.

Formation of Joint Venture Company

On 18 March 2019, the Group entered into a joint venture 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. Please refer to the announcement of the Company dated 19 March 2019 for further details.

Acquisition of 100% equity interest in Bazhong Weiao

On 21 March 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Bazhong Weiao, at a consideration of RMB222,380,000 (equivalent to HK$261,096,000). Bazhong Weiao owns the BOT concession right to a WTE plant in Bazhong City, Sichuan Province with a total daily municipal solid waste processing capacity of 1,200 tonnes. Please refer to the announcement of the Company dated 21 March 2019 for further details. At the date of the announcement, the transaction has not been completed.

DIVIDENDS

During the year, the Company declared an interim dividend of HK1.9 cents per ordinary share. (2017: HK1.3 cents). The Board has proposed the payment of a final dividend of HK2.7 cents (2017: HK2.0 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the AGM of the Company to be held on Thursday, 13 June 2019, the proposed final dividend are expected to be paid on Friday, 5 July 2019 to Shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of Shareholders who are entitled to attend and vote at the 2019 AGM

Latest time for lodging transfer documents of Shares	:	4:30 p.m. on Thursday, 6 June 2019
Period of closure of register of members	:	Monday, 10 June 2019 to Thursday, 13 June 2019 (both dates inclusive)

To determine the Shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	:	Wednesday, 19 June 2019
Latest time for lodging transfer documents of Shares	:	4:30 p.m. on Thursday, 20 June 2019
Period of closure of register of members	:	Friday, 21 June 2019 to Tuesday, 25 June 2019 (both dates inclusive)
Record date	:	Tuesday, 25 June 2019

To qualify for attending and voting at the 2019 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 2019 AGM will be held on Thursday, 13 June 2019. Notice of the 2019 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 2018 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 2018, reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, reviewed the continuing connected transaction and discussed internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2018 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 2018, 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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, the Company repurchased 400,000 Shares of the Company on Hong Kong Stock Exchange. All repurchased Shares were cancelled prior to 31 December 2018. Details of the repurchase were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share Highest *(HK$)*	Price per Share Lowest *(HK$)*	Aggregate price paid (including expenses) *(HK$'000)*
October 2018	400,000	3.99	3.98	1,610

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, at no time during the year ended 31 December 2018 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's Shares.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 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, 25 March 2019

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 established under the laws of the PRC with limit liability
Beiliu	Beiliu Canvest Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 3 June 2016 and an indirect wholly-owned subsidiary of the Company
Beiliu Runtong	Beiliu Runtong Environmental Investment Company Limited** (北流市潤通環保投資有限公司), a company established under the laws of the PRC with limited liability on 8 December 2011, and became an indirect wholly-owned subsidiary of the Company in 2018
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
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 established under the laws of the PRC with limited liability on 27 February 2017 and an indirect wholly-owned subsidiary of the Company
Cash generated from operating projects*	Net cash generated from/used in operating activities for the period, excluding net operating cash used for construction of various WTE plants under BOT arrangements
China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited** (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 5 November 2004 and an indirect wholly-owned subsidiary of the Company
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 11 December 2017 and an indirect wholly-owned subsidiary of the Company
Director(s)	director(s) of the Company
Dongguan Lujia	Dongguan City Lujia Environmental Technology Company Limited** (東莞市綠嘉環保資源投資有限公司), a company established under the laws of the PRC with limited liability on 22 December 2016 and became an indirect wholly-owned subsidiary of the Company in 2018
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞新東粵環保實業有限公司), a company established under the laws of the PRC with limited liability

EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eco-Tech	Dongguan Eco-Tech Environmental Power Company Limited** (東莞市科偉環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 June 2003 and an indirect wholly-owned subsidiary of the Company
EIT	Enterprise Income Tax of the PRC
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 under the laws of the PRC with limited liability on 13 December 2012 and became an indirect wholly-owned subsidiary of the Company in 2018
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
Huafa Group	Zhuhai Huafa Group Company Limited** (珠海華發集團有限公司), a company incorporated in the PRC and indirectly holds 59% equity interest in Johnson
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

Jianyang Canvest	Jianyang Canvest Environmental Power Company Limited** (簡陽粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability
Johnson	Johnson Cleaning Services Company Limited (莊臣有限公司), a company incorporated under the laws of Hong Kong with limited liability
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as "Dongguan Kewei Environmental Power Company Limited")** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company established under the laws of the PRC with limited liability on 13 February 2009 and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin	Laibin Canvest Environmental Power Company Limited** (formerly known as "Laibin Zhongke Environmental Power Company Limited") (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 January 2005 and an indirect wholly-owned subsidiary of the Company
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
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 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.
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 established under the laws of the PRC with limited liability on 12 November 2007 and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company established under the laws of the PRC with limited liability on 4 April 2003 and became an indirect wholly-owned subsidiary of the Company in 2018
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company
True Victor	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL
US dollars	United States dollars, lawful currency of the United States of America

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 in the PRC
World Prosperous	World Prosperous Investments Limited (世豐國際投資有限公司), a company incorporated under the laws of Hong Kong on 12 August 2011 with limited liability and an indirect wholly-owned subsidiary of the Company
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 under the laws of the PRC with limited liability on 6 April 2010 and became an indirect wholly-owned subsidiary of the Company in 2018
Xinfeng	Jiangxi Xinfeng Kun Yue Environmental Protection Company Limited** (江西信豐坤躍環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 June 2014 and became an indirect wholly-owned subsidiary of the Company in 2018
Xingyi	Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited** (黔西南州興義市鴻大環保電力有限公司), a company established under the laws of the PRC with limited liability on 12 January 2012 and an indirect wholly-owned subsidiary of the Company
Xinyi	Xinyi Canvest Environmental Power Company Limited** (信宜粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 17 March 2017 and an indirect wholly-owned subsidiary of the Company

Xuwen	Xuwen Canvest Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 January 2018 and an indirect wholly-owned subsidiary of the Company
Yue Xing	Yue Xing Company Limited** (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director of the Company, and his associate
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 established under the laws of PRC with limited liability on 26 September 2018 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 established in the PRC with limited liability
Zhanjiang	Zhanjiang Canvest Environmental Power Company Limited** (湛江市粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 3 April 2013 and an indirect wholly-owned subsidiary of the Company
Zhongshan	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company established in the PRC with limited liability
Zhongzhou Environmental	Huizhou City Zhongzhou Environmental Resources Company Limited** (惠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*