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CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND

PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION

HIGHLIGHTS

Financial Highlights	For the year ended 31 December		Change
	2023	2022	
Revenue (HK\$'000)	4,980,160	8,246,645	(39.6%)
Included: Revenue from power sales and waste treatment (HK\$'000)	3,429,661	3,486,671	(1.6%)
Gross profit (HK\$'000)	2,079,499	2,529,021	(17.8%)
EBITDA (HK\$'000)	2,657,276	3,086,236	(13.9%)
Profit for the year (HK\$'000)	1,020,527	1,359,463	(24.9%)
Profit attributable to equity holders of the Company (HK\$'000)	1,001,264	1,332,805	(24.9%)
Basic earnings per Share (HK cents)	41.2	54.9	(25.0%)
Total dividend per Share (HK cents) ⁽¹⁾	8.1	10.9	(25.7%)
Financial Ratios			
Gross profit margin	41.8%	30.7%	+11.1 p.p
EBITDA margin	53.4%	37.4%	+16.0 p.p
Net profit margin	20.5%	16.5%	+4.0 p.p

Note:

⁽¹⁾ Including proposed final dividend for the year ended 31 December 2023.

Operational Highlights

- During the year, the Group's (including its subsidiaries, associates and joint ventures) implementation of innocuous treatment of waste volume amounted to 16,615,728 tonnes. The Group generated 6,217,594,000 kWh from green energy, saved 1,623,000 tonnes of standard coal and offset 8,621,000 tonnes of carbon dioxide equivalent emissions⁽¹⁾.
- During the year, Yi County WTE plant and Huizhou WTE plant commenced trial operation and the total daily operating capacity increased from 41,890 tonnes to 43,690 tonnes.
- In March 2023, the Group entered into the waste processing service agreement with Dazhou SIIC, pursuant to which the Group will (i) transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant; (ii) dispose the solidified fly ash generated by Dazhou WTE plant to the landfill; and (iii) detect and repair impermeable membranes at the landfill for three years.
- During the year, the Group successfully secured several environmental sanitation projects, including the Urban-Rural Environmental Sanitation and MSW Compression, Transfer and Processing Project (城鄉環衛和生活垃圾壓縮轉運及處理項目) in Quyang County, Hebei Province, with a service period of 25 years and the contract amounted to RMB3,256 million. It was the Group's first environmental sanitation project with contract value exceeding RMB3,000 million.
- On 28 July 2023, Canvest — Paul Y. Joint Venture, which was led by the Company, was awarded the Hong Kong North Lantau Transfer Station and Outlying Islands Transfer Facilities Second Follow-On Contract with a service period of 10 years and the contract amounted to HK\$2,818 million.
- In August 2023, Yingkou WTE project received the registration approval from VCS that the estimated annual emission reductions of carbon dioxide equivalent reached 245,000 tonnes.
- In January 2024, the Group awarded the Urban Butler Service Concession Project in Dangshan County, Anhui Province, with a service period of 25 years and the contact amounted to RMB1,795 million, which was the Group's first environmental sanitation project in Anhui Province.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2023.

Note:

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

CHAIRLADY'S STATEMENT

TO ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the solid results of the Group for the year ended 31 December 2023 (the “year”).

In 2023, although countries around the world gradually recovered from the pandemic gloom, the overall situation remained complicated. The global economy was fraught with uncertainty under the influence of multiple factors such as the US Fed's continuous interest rate hikes, short-term volatility in the European and American banking industry, and constant geopolitical conflicts. Meanwhile, domestic economic recovery showed signs of slowing down and therefore dampening consumer desire. In addition, the sluggish global economy reduced international demand for Chinese products which exerted downward pressure on the China's economy.

In the solid waste management industry, there were challenges in its development due to receding government subsidies and shrinking waste. Despite these challenges, the PRC government remained committed to advancing its “Dual Carbon” goals by stepping up the efforts to promote high-quality development through policies, especially in the field of WTE. Furthermore, the PRC government issued the “Guiding Opinions on Strengthening the Construction of Domestic Waste Incineration Facilities in County-level Areas” (《關於加強縣級地區生活垃圾焚燒處理設施建設的指導意見》), aiming to further enhance waste treatment capacity in county-level areas by 2030. The “Opinions on Comprehensive Promotion of the Construction of Beautiful China” (《全面推進美麗中國建設的意見》) also demonstrates the government's determination to build “Zero-Waste Cities” nationwide by 2035. These policies and initiatives not only facilitate the transformation and upgrading of the solid waste management industry but also inject new momentum into sustainable economic development.

During the year, despite increasing competition in the solid waste management industry, Canvest, as a leading domestic WTE enterprise and integrated urban environmental protection and sanitation solution provider, continued to improve production efficiency and technical capabilities to achieve quality improvement and efficiency enhancement, demonstrating our resilience in business operations. At the same time, we actively explored the development model of the whole solid waste management industry chain by closely monitoring environmental market trends, striving to make greater contributions to the high-quality development of the industry and make a positive impact on achieving the “Carbon Peaking and Carbon Neutrality” goals.

Financial Performance

In 2023, the Group's revenue decreased by 39.6% to HK\$4,980.2 million as compared to last year, and the decrease in total revenue was mainly due to a 76.7% year-on-year decrease in the Group's construction revenue generated from project construction to HK\$1,018.3 million as most of the Group's WTE projects have been put into operation. Net profit for the year of the Group decreased by 24.9% to HK\$1,020.5 million as compared to last year, mainly due to a significant increase in interest expense of 10% caused by significant rise in offshore interest rates and around 7% depreciation of RMB during the year. Nevertheless, the gross profit margin and the EBITDA margin of the Group increased from 30.7% to 41.8% and from 37.4% to 53.4% respectively, primarily due to a significant decrease in construction revenue with a lower gross profit margin, which better reflected the Group's gross profit margin and EBITDA margin from operations. Meanwhile, with the successive commissioning of the Group's WTE projects, the Group's net cash generated from operating activities turned positive for the first time to HK\$1,078.5 million, and the Group's gearing ratio decreased by 0.8 percentage points to 64.3%, indicating a more robust financial position.

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 HK3.2 cents per Share for the year ended 31 December 2023 (2022: HK4.7 cents). If approved by Shareholders, the total dividend of 2023 would be HK8.1 cents per Share (2022: HK10.9 cents).

Business Review

In 2023, the Group took proactive measures to address the challenging and complex external environment and showed its resilience in business operations. The Group's WTE projects have gone into operation successively, signaling a transition from the construction phase to the operational phase and the realization of steady business growth. During the year, the Group further strengthened the operational management of existing projects by optimizing cost structures and improving efficiency, thereby enhancing the operational capabilities of the Group's WTE projects. Furthermore, leveraging the advantages of WTE project deployment, we actively facilitated the synergistic development of the WTE industry chain in both upstream and downstream business segments, contributing to several significant breakthroughs in the Group's environmental sanitation business.

The Group's WTE business maintained stable development. During the year, the Group had secured 36 WTE projects with a total daily MSW processing capacity of 54,540 tonnes. The Group has a total of 33 projects in operation with a total daily MSW processing capacity of 43,690 tonnes, which Yi County and Huizhou WTE projects have officially started trial operation during the year with an increase of 800 tonnes and 1,000 tonnes in the Group's daily waste processing capacity, respectively. In addition, the Group innocuously treated 16,615,728 tonnes of waste, which increased by 18.7% year-on-year; generated 6,217,594,000 kWh of green energy, which increased by 18.4% year-on-year; saved 1,623,000 tonnes of standard coal, which increased by 17.5% year-on-year; offset 8,621,000 tonnes of carbon dioxide equivalent emissions, which increased by 27.4% year-on-year. In August 2023, the Group's Yingkou WTE project received registration approval from VCS with the estimated annual emission reductions of carbon dioxide equivalent reaching 245,000 tonnes, making a significant step in developing carbon assets.

The Group has been focusing on expanding its WTE business and has been actively extending the industry chain by capitalizing on the terminal advantages of MSW incineration. During the year and as of the announcement date, the Group's environmental sanitation business continued to grow and was awarded new contracts amounted over RMB8 billion. During the year, the Group secured the Urban-Rural Environmental Sanitation and MSW Compression, Transfer and Processing Project (城鄉環衛和生活垃圾壓縮轉運及處理項目) in Quyang County, Hebei Province; won the bid for the first time for the Hong Kong Waste Transfer Station, marking a new chapter for the development of our environmental protection industrial chain in Hong Kong. In January 2024, the Group made its first expansion into the environmental sanitation sector in Anhui Province, successfully winning the bid for Urban Butler Service Concession Project (城市管家服務特許經營項目) in Dangshan County. The Group successfully secured multiple projects, which not only proved that its "Incineration +" business strategy has effectively helped the Group to deepen its development in the environmental sanitation sector but also fully demonstrated the Group's strength and competitive advantages.

Over the years, the Group has regarded sustainable development as an integral part of its business, and we incorporated environmental, social, and governance elements into its decision-making and daily operation, aiming to contribute to the environment and society while promoting sustainable development. During the year, the Group has been honored with the "BOCHK Corporate Low-Carbon Environmental Leadership Awards" for three consecutive years, received the "Outstanding ESG Awards (Listed Company) — Platinum" and the "Outstanding Sustainable Dividend Award" at "The ESG Achievement Awards 2022/2023" organized by the Institute of ESG & Benchmark, the "Best in ESG Award" at the "BDO ESG Awards 2023", the "Leading Environmental Initiative" at the "ESG Leading Enterprises 2023" organized by the renowned financial magazine *Bloomberg Businessweek/Chinese Edition*, proving the Group's outstanding contributions in the areas of environmental, social and corporate governance and demonstrating the high recognition it receives both from the market and industry.

In addition to recognition for its contributions to environmental protection, the Group has received prestigious awards for its high-quality investor relations and outstanding industrial performance, including being voted as the "Most Honored Companies" by the international authoritative financial magazine *Institutional Investor* for three consecutive years and the "Best Overall Investor Relations (Small to Mid-Cap)" and the "Best in Sector: Utilities" by *IR Magazine*, and the "Capital Market Communication Innovation Team Award" at the "4th Futubull Annual Review of Listed Companies" organized by Futu, recognizing its efforts and achievements in enhancing communication with the capital market.

Outlook

The year of 2024 will continue to be challenging. However, the PRC government remains determined to make progress on its green and low-carbon development path, continuously optimizing policies related to “Dual Carbon” and focusing on “carbon reduction, pollution reduction, green expansion, and sustainable growth”. These efforts aim to promote simultaneous progress in achieving a high-standard ecological environment and high-quality economic development, working towards a Beautiful China and the realization of the “Dual Carbon” goals and facilitating the green transformation of the economy and society. With the landscape of the national environmental protection industry taking shape, China is entering a crucial period where the ecological environment is transitioning from quantity to quality, in which solid waste treatment and WTE business play a significant role and present new opportunities to the industry.

In recent years, with the comprehensive implementation of “waste-to-energy” and the advocacy of “zero landfill” for MSW, supported by various national policies, the WTE industry has gradually matured. The Group will continue to penetrate the WTE business, explore technological innovations, and maintain refined management practices. By establishing a nationwide presence in the whole industry chain for solid waste environmental treatment, the Group will actively expand its upstream and downstream businesses, and comprehensively deepen and upgrade its integrated environmental sanitation services and smart city management business, to strengthen synergies across its various business segments. At the same time, the Group will prioritize improving the “quality” and strive to achieve quality upgrade and efficiency enhancement, and comprehensively promote asset-light business. In addition and empowering its business model innovation with technological innovation, the Group will continue developing carbon assets and increase strategic investment in green finance to support the green economy and foster financial innovation, thereby broadening the revenue base and creating new growth engines.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, business partners, and stakeholders for their continued and unfailing support, as well as for working with us to achieve our vision “to protect the blue sky and clean water, and build a beautiful home”. Adhering to the philosophy to “unite as one, work meticulously, and strive for excellence”, Canvest will continue to work hand in hand with all employees and forge ahead. Canvest will constantly optimize its operational capabilities, closely follow national policies, seize the opportunities presented by the green economy, and collaborate with stakeholders to build a sustainable future.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	2	4,980,160	8,246,645
Cost of sales	3	<u>(2,900,661)</u>	<u>(5,717,624)</u>
Gross profit		2,079,499	2,529,021
General and administrative expenses	3	(658,312)	(580,010)
Other income	4	220,954	215,875
Other gains/(losses), net	5	<u>2,537</u>	<u>(108,163)</u>
Operating profit		1,644,678	2,056,723
Interest income	6	18,133	14,500
Interest expense	6	<u>(675,928)</u>	<u>(614,284)</u>
Interest expense, net		(657,795)	(599,784)
Share of net profits of associates and joint ventures		<u>153,390</u>	<u>189,934</u>
Profit before income tax		1,140,273	1,646,873
Income tax expense	7	<u>(119,746)</u>	<u>(287,410)</u>
Profit for the year		<u>1,020,527</u>	<u>1,359,463</u>
Attributable to:			
Equity holders of the Company		1,001,264	1,332,805
Non-controlling interests		<u>19,263</u>	<u>26,658</u>
Profit for the year		<u>1,020,527</u>	<u>1,359,463</u>
Earnings per share			
— basic (expressed in HK cents per share)	8(a)	<u>41.2</u>	<u>54.9</u>
— diluted (expressed in HK cents per share)	8(b)	<u>41.2</u>	<u>54.9</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year	<u>1,020,527</u>	<u>1,359,463</u>
Other comprehensive loss, net of tax:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	(173,939)	(977,155)
Release of exchange differences upon disposal of assets classified as held-for-sale	<u>(2,426)</u>	<u>—</u>
Other comprehensive loss for the year, net of tax	<u>(176,365)</u>	<u>(977,155)</u>
Total comprehensive income for the year	<u><u>844,162</u></u>	<u><u>382,308</u></u>
Attributable to:		
Equity holders of the Company	830,407	402,246
Non-controlling interests	<u>13,755</u>	<u>(19,938)</u>
Total comprehensive income for the year	<u><u>844,162</u></u>	<u><u>382,308</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	2023	2022
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Right-of-use assets	452,272	475,737
Property, plant and equipment	1,574,824	1,158,951
Intangible assets	15,015,890	14,569,667
Interests in associates and joint ventures	1,595,903	1,461,723
Deferred tax asset	2,335	—
Long-term deposits and prepayments	9 336,326	432,445
Receivables under service concession arrangements	3,137,542	3,242,873
	<u>22,115,092</u>	<u>21,341,396</u>
Current assets		
Inventories	31,625	30,569
Other receivables, deposits and prepayments	9 823,804	876,949
Receivables under service concession arrangements	277,098	266,752
Trade receivables	9 1,828,593	1,316,320
Restricted deposits	101,296	124,626
Time deposits	—	22,500
Cash and cash equivalents	1,897,648	1,809,883
	<u>4,960,064</u>	<u>4,447,599</u>
Assets classified as held-for-sale	—	31,186
	<u>4,960,064</u>	<u>4,478,785</u>
Total assets	<u><u>27,075,156</u></u>	<u><u>25,820,181</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	24,395	24,395
Share premium	2,640,551	2,640,551
Other reserves	863,561	866,301
Retained earnings	5,770,016	5,171,787
	<u>9,298,523</u>	<u>8,703,034</u>
Non-controlling interests	370,154	300,872
Total equity	<u><u>9,668,677</u></u>	<u><u>9,003,906</u></u>

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		11,496,916	11,838,520
Deferred income tax liabilities		908,020	941,508
Deferred government grants		174,800	189,807
Other non-current liabilities		11,765	10,400
		<u>12,591,501</u>	<u>12,980,235</u>
Current liabilities			
Trade and other payables	<i>10</i>	2,306,402	2,014,727
Current income tax liabilities		48,103	62,280
Bank borrowings		2,448,179	1,743,809
Lease liabilities		—	2,751
Deferred government grants		12,294	12,473
		<u>4,814,978</u>	<u>3,836,040</u>
Total liabilities		<u>17,406,479</u>	<u>16,816,275</u>
Total equity and liabilities		<u>27,075,156</u>	<u>25,820,181</u>
Net current assets		<u>145,086</u>	<u>642,745</u>
Total assets less current liabilities		<u>22,260,178</u>	<u>21,984,141</u>

NOTES:

1 BASIS OF PREPARATION

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

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

1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

Amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
HKFRS 17	Insurance Contracts (New Standard)

The Group has assessed the impact of the adoption of the above new and amended standards and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies.

In July 2023, the Hong Kong Institute of Certified Public Accountants published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the abolition of offsetting mechanism effective from 1 May 2025. The abolition of the offsetting mechanism did not have a material impact on the Group’s results and financial position.

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

Certain new and amended standards and interpretations have been published that are not mandatory and have not been early adopted by the Group for the reporting period ended 31 December 2023.

Standards/Interpretations	Subject	Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be announced

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

2 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2023, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — waste-to-energy ("WTE") project construction and operation (2022: 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 2023 (2022: same).

An analysis of the Group's revenue, which is recognised over time, is as follows:

	2023	2022
	HK\$'000	HK\$'000
Revenue from power sales	2,416,634	2,399,495
Waste treatment fee	1,013,027	1,087,176
Revenue from project construction services	1,018,266	4,360,980
Finance income from service concession arrangements	190,082	171,993
Environmental hygiene and other services income	342,151	227,001
	4,980,160	8,246,645

For the year ended 31 December 2023, the Group had transactions with two (2022: one) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$768,855,000 and HK\$588,151,000 were derived from the largest and the second largest customer respectively for the year ended 31 December 2023, while revenue of approximately HK\$889,240,000 was derived from the largest customer for the year ended 31 December 2022.

3 EXPENSES BY NATURE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Maintenance cost	224,828	226,962
Environmental protection expenses	393,223	407,870
Research and development cost	61,530	52,065
Impairment of trade receivables	6,634	6,000
Impairment of receivables under service concession arrangements	9,226	14,000
Impairment of other receivables	—	8,956
Remuneration to the Company's auditor		
— Audit services	3,000	3,000
— Non-audit services	121	—
Remuneration to other auditors		
— Audit services	496	927
— Non-audit services	260	63
Employee benefit expenses	648,088	615,353
Depreciation and amortisation		
— Property, plant and equipment	154,712	151,106
— Intangible assets	666,492	650,464
— Right-of-use assets	19,871	23,509
Other lease expenses*	13,127	12,597
Donation	3,787	8,842
Construction cost recognised for project construction services (included in cost of sales)	<u>862,531</u>	<u>3,695,980</u>

* These expenses are related to short-term leases or leases of low-value assets. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

4 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Value-added tax ("VAT") refund (<i>Note (i)</i>)	126,007	124,118
Revenue from non-hazardous waste handling	22,137	28,097
Sales of bottom ash and scrap materials	44,786	35,827
Government subsidies (<i>Note (ii)</i>)	2,669	4,117
Amortisation of deferred government grants (<i>Note (iii)</i>)	12,390	12,552
Others	<u>12,965</u>	<u>11,164</u>
	<u>220,954</u>	<u>215,875</u>

Notes:

- (i) The amount represents the Group's entitlement to value-added tax refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the Value-Added Tax on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions or 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) Government subsidies for the year ended 31 December 2023 mainly represent subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilising employment (2022: the amount mainly represents cash subsidies in respect of the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administrative Region Government and subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilising employment). There were no unfulfilled conditions or other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.
- (iii) Government grants recognised were related to the construction of infrastructure under service concession arrangements. There were no unfulfilled conditions or other contingencies attached to the receipts of those grants.

5 OTHER GAINS/(LOSSES), NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of assets classified as held-for-sale (<i>Note</i>)	5,328	—
Gain/(loss) on disposals of property, plant and equipment	6,461	(9)
Exchange losses, net	<u>(9,252)</u>	<u>(108,154)</u>
	<u>2,537</u>	<u>(108,163)</u>

Note: On 13 February 2023 and 14 February 2023, the Group entered into sale and purchase agreements with independent third parties in respect of the disposal of entire interests in Shen County Nanyi New Energy Power Company Limited ("Shen County Nanyi") and Hengyang Canvest Environmental Construction Power Company ("Hengyang Canvest"), respectively, at cash considerations in aggregate of RMB32,582,000 (equivalent to HK\$36,935,000), resulting in a gain on disposal of assets classified as held-for-sale amounting to HK\$5,328,000. The entire interests in Shen County Nanyi and Hengyang Canvest have been classified as "Assets classified as held-for-sale" as at 31 December 2022.

6 INTEREST INCOME AND EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expense on bank borrowings	(692,766)	(627,992)
Interest expense on lease liabilities	(16)	(150)
Less: amount capitalised on qualifying assets	<u>16,854</u>	<u>13,858</u>
	<u>(675,928)</u>	<u>(614,284)</u>
Interest income from bank deposits	18,133	13,924
Interest income from an associate	<u>—</u>	<u>576</u>
Interest expense, net	<u>(657,795)</u>	<u>(599,784)</u>

7 INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	86	(511)
PRC enterprise income tax	<u>143,169</u>	<u>128,976</u>
Total current income tax	143,255	128,465
Deferred income tax	<u>(23,509)</u>	<u>158,945</u>
Income tax expense	<u><u>119,746</u></u>	<u><u>287,410</u></u>

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are subject to Hong Kong profits tax at a rate of 8.25% and the remaining assessable profits of this subsidiary are subject to Hong Kong profits tax at a rate of 16.5% (2022: same).

Subsidiaries incorporated in the PRC are subject to a tax rate of 25% for the years ended 31 December 2023 and 2022 on the assessable profits arising in or derived from the PRC except certain subsidiaries were entitled to enterprise income tax (“EIT”) incentive that the project would be fully exempted from the PRC enterprise income tax for three years starting from the tax year in which the project recorded its operating revenue for the first time, followed by a 50% tax reduction for the ensuing three years.

In addition, certain PRC subsidiaries operating in western region of the PRC were entitled to a concessionary tax rate of 15% from 2021 to 2030 pursuant to the “Continuation of Preferential EIT policies in the Western Region” (2020 Announcement No. 23) jointly issued by Ministry of Finance, State Taxation Administration and National Development and Reform Commission of the PRC (2022: same).

Besides, certain PRC subsidiaries were approved as High and New Technology Enterprise and subject to a preferential EIT rate of 15% (2022: same).

8 EARNINGS PER SHARE

(a) Basic

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

	2023	2022
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>1,001,264</u>	<u>1,332,805</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>2,429,441</u>	<u>2,429,441</u>
Basic earnings per share (<i>HK cents</i>)	<u>41.2</u>	<u>54.9</u>

(b) Diluted

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

The Company has one category of dilutive potential ordinary share: share options (2022: same). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the years ended 31 December 2023 and 2022 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have no dilutive effect on the basic earnings per share.

9 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets		
Prepayments for property, plant and equipment and concession rights	191,202	431,026
Deposits and prepayments	145,124	1,419
	<u>336,326</u>	<u>432,445</u>
Current assets		
Trade receivables		
— Trade receivables (<i>Note</i>)	1,847,160	1,328,253
— Less: Impairment of trade receivables	(18,567)	(11,933)
	<u>1,828,593</u>	<u>1,316,320</u>
Other receivables, deposits and prepayments		
— Deposits and prepayments	29,259	23,901
— Other receivables (<i>Note</i>)	263,875	239,912
— Value-added tax recoverable	557,626	640,092
— Less: Impairment of other receivables	(26,956)	(26,956)
	<u>2,652,397</u>	<u>2,193,269</u>
	<u><u>2,988,723</u></u>	<u><u>2,625,714</u></u>

Note: As at 31 December 2023, included in “Trade receivables” are receivables of HK\$3,859,000 (31 December 2022: HK\$9,347,000) due from a subsidiary of the Group’s associate, which are unsecured, interest-free and repayable on the twenty-fifth of next month according to the credit terms; receivables of HK\$827,000 (31 December 2022: nil) due from a subsidiary of the Group’s associate, which are unsecured, interest-free and repayable on credit terms of 10 days after the receipt of VAT invoices; and receivables of HK\$1,754,000 (31 December 2022: nil) due from a subsidiary of the Group’s associate, which are unsecured, interest-free and repayable on the twentieth of every 2 months according to the credit terms. As at 31 December 2023, included in “Other receivables” are receivables of HK\$835,000 (31 December 2022: HK\$1,040,000) due from the Group’s associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. As the Group’s customers are primarily PRC local governments and state-owned entities, the probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. The Group has identified the growth rate of gross domestic product and industrial value added in the PRC to be the most relevant factors, and accordingly adjusted the historical loss rates based on the expected changes in these factors in the future period.

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables which are long overdue with significant balances, they are assessed individually for impairment allowance. Impairment allowance of HK\$18,567,000 was provided as at 31 December 2023 (31 December 2022: HK\$11,933,000).

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

	2023 HK\$'000	2022 HK\$'000
Up to 1 month (<i>Note</i>)	960,889	776,568
1 to 3 months	222,886	169,590
3 to 6 months	224,748	160,452
Over 6 months	420,070	209,710
	<u>1,828,593</u>	<u>1,316,320</u>

Note: As at 31 December 2023, the balance includes government on-grid tariff subsidy receivables of HK\$621,909,000 (31 December 2022: HK\$486,608,000) for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to “Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance of the PRC.

As at 31 December 2023, other receivables mainly include refundable tender deposits for potential projects (31 December 2022: same).

If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses. As at 31 December 2023, the impairment was assessed to be HK\$26,956,000 in respect of other receivables (31 December 2022: HK\$26,956,000).

10 TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Current liabilities		
Trade payables (<i>Note</i>)	391,111	324,751
Construction payables	1,354,483	1,385,563
Accruals and other payables	560,808	304,413
	<u>2,306,402</u>	<u>2,014,727</u>

Note: As at 31 December 2023, included in “Trade payables” are payables of HK\$29,385,000 (31 December 2022: HK\$46,481,000) due to the Group’s associate, which are unsecured, interest-free and repayable on credit terms of 10 days after the receipt of VAT invoices, and monitoring fee payables of HK\$3,471,000 (31 December 2022: HK\$1,824,000) due to a related party, which are unsecured, interest free and repayable upon the receipt of the VAT invoice.

Accruals and other payables mainly include accrued staff cost and other staff benefits, VAT payables and payables for concession rights.

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

	2023 HK\$'000	2022 <i>HK\$'000</i>
Up to 1 month	244,813	216,119
1 to 2 months	46,352	38,246
2 to 3 months	23,738	21,038
Over 3 months	76,208	49,348
	391,111	324,751

11 DIVIDEND

The Board has proposed the payment of a final dividend of HK3.2 cents per ordinary share for the year ended 31 December 2023 (2022: HK4.7 cents per ordinary share), totalling to HK\$78,065,000 (2022: HK\$114,658,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,439,541,169 shares) at the date of this announcement (26 March 2024).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 21 June 2024, the proposed final dividend are expected to be paid on Wednesday, 31 July 2024 to shareholders whose names appear on the register of members of the Company on Friday, 28 June 2024.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2023.

During the year ended 31 December 2023, the Company has declared and paid an interim dividend of HK4.9 cents per ordinary share (2022: HK6.2 cents per ordinary share), totalling HK\$119,538,000 (2022: HK\$151,252,000).

MANAGEMENT DISCUSSION AND ANALYSIS

2023 was the year of gradual restoration of the order of production and life in the post-pandemic era, the overall situation remained complicated and volatile due to external fluctuations such as the US Federal Reserve interest rate hikes and geopolitical conflicts. However, following the steadily advancing ecological conservation and the further implementation of the “Dual Carbon” strategy, the environmental protection industry still presents promising prospects, and breakthroughs and development will emerge from the industry’s transformation and upgrading. The State Council issued the “Overall Layout Plan for the Construction of Digital China” (《數字中國建設整體佈局規劃》) in February 2023, which highlights the requirements for digital construction in the fields related to the ecological and environmental protection industry and the “Opinions on Comprehensive Promotion of the Construction of Beautiful China” (《全面推進美麗中國建設的意見》) released in January 2024 reaffirms the nation’s commitment to “Dual Carbon” goals and to accelerate a transformation in improving the ecological environment from quantity to quality under the objective of the construction of beautiful China. In view of the above, with the development and widespread adoption of 5G and AI technologies, the “Digital and Intelligent” transformation will become an inevitable trend for the industry’s development.

Over the past year, we focused on “quality” improvement by enhancing the refined management of production and operations and orderly pushing forward with technological improvement and innovation application in projects to achieve stable reduction in cost. Meanwhile, we identified revenue growth drivers through various channels by leveraging the advantages of “Incineration +” to improve profitability of our projects. Through strategic iteration and self-reform, we actively responded to risks and challenges arising from industry transformation. By addressing weaknesses, strengthening operations, reducing costs and enhancing efficiency, increasing investment in technology and technological innovation, we continued to enhance our core competitiveness and aimed to seize the opportunities brought by quality improvement and efficiency enhancement in the industry under our commitment “to achieve excellence in technology, optimize processes, minimize costs and provide the best service”.

Looking forward, Canvest will continue to deepen its presence in WTE and integrated environmental sanitation business and persistently promote strategic expansion by developing environmental hygiene and related services with potential growth along the upstream and downstream, in order to further reinforce the integration of the industrial chain of WTE and integrated environmental sanitation business. We aim to demonstrate our resilience, actively enhance our existing strengths and give full play to the spirit of Canvest, and endeavour to contribute to the green living and sustainable development of the people and the society despite confronting the harsh and volatile external environment.

OVERALL PERFORMANCE

For the year ended 31 December 2023, the Group's revenue was HK\$4,980.2 million (2022: HK\$8,246.6 million), representing a decrease of 39.6% over 2022. Revenue from power sales and waste treatment was HK\$3,429.7 million (2022: HK\$3,486.7 million), representing a decrease of 1.6%. Nevertheless, gross profit margin had significantly increased to 41.8% (2022: 30.7%). The operating profit was HK\$1,644.7 million (2022: HK\$2,056.7 million). EBITDA margin improved notably to 53.4% (2022: 37.4%). Profit attributable to equity holders of the Company was HK\$1,001.3 million (2022: HK\$1,332.8 million), representing a decrease of 24.9%. Basic earnings per share was HK41.2cents (2022: HK54.9 cents).

During the year, the Group's implementation of innocuous treatment of waste volume amounted to 16,615,728 tonnes, representing an increase of 18.7% as compared to 13,993,553 tonnes in 2022. The Group generated 6,217,594,000 kWh from green energy, representing an increase of 18.4% as compared with 5,249,545,000 kWh in 2022, sold 136,000 tonnes of steam, representing an increase of 223.8% as compared with 42,000 tonnes in 2022, saved 1,623,000 tonnes of standard coal and offset carbon dioxide equivalent emissions by 8,621,000 tonnes.

I. WASTE-TO-ENERGY BUSINESS

Projects and Processing Capacity

As at 31 December 2023 and the date of this announcement, there are 36 operating, secured and announced projects in our portfolio with daily MSW processing capacity reached 54,540 tonnes. The operating daily MSW processing capacity of 33 projects reached 43,690 tonnes.

In 2023, the Group's WTE business maintains relatively stable.

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

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	22	32,790
Western China Region	4	7,000
Eastern China Region	4	7,650
Northern China and Northeast China Regions	5	6,300
Central China Region	1	800
	<hr/>	<hr/>
Total	36	54,540
	<hr/> <hr/>	<hr/> <hr/>

The following table sets forth the operational details by regions for the year under review:

		Year ended 31 December	
		2023	2022
Southern China Region	Guangdong Province		
	Innocuous treated waste (<i>tonnes</i>)	9,623,321	8,872,108
	Power generated (<i>MWh</i>)	3,688,864	3,507,326
	Power sold (<i>MWh</i>)	3,219,241	3,042,163
	Guangxi Zhuang Autonomous Region		
	Innocuous treated waste (<i>tonnes</i>)	744,350	755,949
	Power generated (<i>MWh</i>)	287,535	295,435
	Power sold (<i>MWh</i>)	254,691	259,788
	Guizhou Province		
Innocuous treated waste (<i>tonnes</i>)	679,040	664,975	
Power generated (<i>MWh</i>)	247,551	241,039	
Power sold (<i>MWh</i>)	211,514	204,864	
Western China Region	Innocuous treated waste (<i>tonnes</i>)	1,551,170	1,010,223
	Power generated (<i>MWh</i>)	574,226	356,411
	Power sold (<i>MWh</i>)	486,981	303,757
Eastern China Region	Innocuous treated waste (<i>tonnes</i>)	2,088,645	1,135,664
	Power generated (<i>MWh</i>)	880,187	391,368
	Power sold (<i>MWh</i>)	722,572	332,700
Northern China and Northeast China Regions	Innocuous treated waste (<i>tonnes</i>)	1,514,995	1,242,940
	Power generated (<i>MWh</i>)	411,858	350,997
	Power sold (<i>MWh</i>)	343,238	295,770
Central China Region	Innocuous treated waste (<i>tonnes</i>)	414,207	311,694
	Power generated (<i>MWh</i>)	127,373	106,969
	Power sold (<i>MWh</i>)	111,204	93,006
Total	Innocuous treated waste (<i>tonnes</i>)	16,615,728	13,993,553
	Power generated (<i>MWh</i>)	6,217,594	5,249,545
	Power sold (<i>MWh</i>)	5,349,441	4,532,048
	Steam sold (<i>tonnes</i>)	136,000	42,000

Note:

- (1) Innocuous treated waste included MSW, wastewater and others.
- (2) 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.

Southern China Region

In 2023, 15 WTE plants located in Guangdong Province continued to provide contributions. Huizhou WTE plant commenced trial operation in December 2023 and Huidong WTE project is currently in the planning stage.

4 WTE plants located in Guizhou Province and Guangxi Zhuang Autonomous Region continued to provide contributions in 2023, while Baise WTE project is currently in the planning stage.

Western China Region

4 WTE plants located in Sichuan Province and Yunnan Province continued to provide contributions in 2023.

Eastern China Region

1 WTE plant located in Shandong Province, 1 WTE plant located in Shanghai, and 2 WTE plants located in Jiangsu Province continued to provide contributions in 2023.

Having considered the change of investment return, the Group's entire equity interest in Shen County WTE project was disposed of in February 2023.

Northern China and Northeast China Regions

1 WTE plant located in Hebei Province, 1 WTE plant located in Liaoning Province and 1 WTE plant located in Shanxi Province continued to provide contributions in 2023. Yi County WTE plant commenced trial operation in late March 2023 and Quyang WTE project is currently in the planning stage.

Central China Region

1 WTE plant located in Jiangxi Province continued to provide contributions in 2023. Having considered the change of investment return, the Group's entire equity interest in Changning WTE project was disposed of in February 2023.

II. ENVIRONMENTAL HYGIENE AND RELATED SERVICES

In 2023, the Group, through Yuezhan and Sichuan Jiajieyuan, operated 30 integrated environmental sanitation projects located at Sichuan Province, Guangxi Zhuang Autonomous Region, Hebei Province and Guangdong Province. The Group continued to develop its integrated smart city management services, such as smart car parking solutions. In Hong Kong, the Group, through Johnson, a leading environmental hygiene service provider, provided a wide range of environmental services in Hong Kong. These projects continued to provide contributions to the Group for the year ended 31 December 2023.

The Group has contracted 5 landfill restoration projects located at Guizhou Province and Guangdong Province. On 13 March 2023, Canvest Yuezhan Solid entered into the waste processing service agreement with Dazhou SIIC, pursuant to which Canvest Yuezhan Solid will transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant, dispose the solidified fly ash generated from Dazhou WTE plant to the landfill and detect and repair impermeable membranes at the landfill for three years.

During the year, the Group successfully secured multiple environmental sanitation projects, including the Urban-Rural Environmental Sanitation and MSW Compression, Transfer and Processing Project (城鄉環衛和生活垃圾壓縮轉運及處理項目) in Quyang County, Hebei Province, with a service period of 25 years and a contract value of RMB3,256 million, which was the Group's first environmental sanitation project with contract value to exceed RMB3,000 million.

In January 2024, the Group awarded the Urban Butler Service Concession Project in Dangshan County, Anhui Province, with a service period of 25 years, which was the Group's first environmental sanitation project in Anhui Province.

During the year, the Group provided smart car parking solutions for over 47,000 parking spaces, covering Guangdong Province, Hebei Province, Chongqing Municipality, Hubei Province, Shandong Province, Sichuan Province and Hunan Province.

On 28 July 2023, Canvest — Paul Y. Joint Venture, which was led by the Company, was awarded the Hong Kong North Lantau Transfer Station (“NLTS”) and Outlying Islands Transfer Facilities (“OITF”) Second Follow-on Contract with the awarded sum amounted to HK\$2,818 million for a period of 10 years. The NLTS is located on Sham Shui Kok Drive, Siu Ho Wan, on North Lantau, Hong Kong while the OITF comprises a network of seven small-scale waste transfer facilities located at Mui Wo, Cheung Chau, Peng Chau, Hei Ling Chau, Yung Shue Wan, Sok Kwu Wan and Ma Wan. Please refer to the announcement of the Company dated 31 July 2023 for further details.

During the year, Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC, continued to provide contributions to the Group. Dongguan Xindongyue processed 146,837 tonnes of solidified fly ash and continued to provide contributions to the Group.

ANALYSIS OF FINANCIAL RESULTS

REVENUE

The Group's revenue for 2023 was HK\$4,980.2 million, representing a decrease of 39.6% when compared with HK\$8,246.6 million in 2022. And the decrease in total revenue was mainly due to a 76.7% decrease in the Group's construction revenue to HK\$1,018.3 million as compared with last year. It is attributable to most of the Group's WTE projects have been put into operation and the WTE industry has entered a mature stage with fewer new projects. Yet, the revenue related to operations, including power sales, waste treatment and environmental hygiene and other services income, amounted to HK\$3,771.8 million in aggregate in 2023 was increased by 1.6% as compared with last year.

The following table sets forth the breakdown of revenue for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Revenue from power sales	2,416,634	48.6%	2,399,495	29.1%
Revenue from waste treatment fees	1,013,027	20.3%	1,087,176	13.2%
Revenue from project construction services	1,018,266	20.4%	4,360,980	52.9%
Finance income from service concession arrangements	190,082	3.8%	171,993	2.0%
Environmental hygiene and other services income	342,151	6.9%	227,001	2.8%
Total	<u>4,980,160</u>	<u>100.0%</u>	<u>8,246,645</u>	<u>100.0%</u>

The following table sets forth the breakdown of the Group's revenue by region for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Southern China Region	2,984,343	59.9%	4,622,536	56.1%
Central China Region	129,713	2.6%	98,386	1.2%
Western China Region	210,711	4.2%	665,004	8.1%
Northern China and Northeast China Regions	1,008,730	20.3%	1,663,113	20.2%
Eastern China Region	646,663	13.0%	1,197,606	14.4%
Total	<u>4,980,160</u>	<u>100.0%</u>	<u>8,246,645</u>	<u>100.0%</u>

COST OF SALES

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

Cost of sales decreased by 49.3% from HK\$5,717.6 million in 2022 to HK\$2,900.7 million in 2023. The decrease was mainly attributable to decrease in construction cost for project construction services.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2023, gross profit of the Group amounted to HK\$2,079.5 million, representing a decrease of 17.8% as compared to HK\$2,529.0 million in 2022. The decrease in gross profit was mainly attributable to the decrease in construction cost for project construction services. In 2023, the gross profit related to operations, including power sales and waste treatment operations and environmental hygiene and other services, amounted to HK\$1,733.7 million in aggregate, was increased by 2.5% as compared with last year.

Gross profit margin of the Group experienced a strong increase from 30.7% in 2022 to 41.8% in 2023. The increase was mainly due to the decrease in portion of construction revenue, which has lower gross profit margin.

The following table sets forth the breakdown of the Group's gross profit by nature for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Power sales and waste treatment operations	1,598,141	76.9%	1,614,086	63.8%
Project construction services	155,735	7.5%	665,000	26.3%
Finance income from service concession arrangements	190,082	9.1%	171,993	6.8%
Environmental hygiene and other services	135,541	6.5%	77,942	3.1%
Total	<u>2,079,499</u>	<u>100.0%</u>	<u>2,529,021</u>	<u>100.0%</u>

The following table sets forth the Group's gross profit margin by nature for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	<i>Gross profit margin</i>	<i>Gross profit margin</i>
Power sales and waste treatment operations	46.6%	46.3%
Project construction services	15.3%	15.2%
Finance income from service concession arrangements	100.0%	100.0%
Environmental hygiene and other services	39.6%	34.3%
Gross profit margin of the Group	<u>41.8%</u>	<u>30.7%</u>

GENERAL AND ADMINISTRATIVE EXPENSES

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

General and administrative expenses increased by 13.5% from HK\$580.0 million in 2022 to HK\$658.3 million in 2023. It was mainly due to additional WTE projects under operation.

OTHER INCOME

Other income mainly consisted of VAT refund, sales of bottom ash and scrap materials and others. Other income increased by 2.4% from HK\$215.9 million in 2022 to HK\$221.0 million in 2023.

OTHER GAINS/(LOSSES), NET

During the year, the Group recorded other net gains of HK\$2.5 million as compared to other net losses of HK\$108.2 million in 2022. It was mainly due to foreign exchange loss from the depreciation of RMB against USD was recognised in 2022.

INTEREST EXPENSE, NET

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. During the year, net interest expenses increased by 9.7% from HK\$599.8 million in 2022 to HK\$657.8 million in 2023. The increase in net interest expenses was due to increase in HIBOR, which led to the increase in interest rate of offshore borrowings.

SHARE OF NET PROFITS OF ASSOCIATES AND JOINT VENTURES

During the year, share of net profits of associates and joint ventures decreased by 19.2% from HK\$189.9 million in 2022 to HK\$153.4 million in 2023. It was mainly due to decrease in profit sharing from Machong WTE plant.

INCOME TAX EXPENSE

Income tax expenses decreased by 58.3% from HK\$287.4 million in 2022 to HK\$119.7 million in 2023. It was mainly attributable to the decrease in deferred income tax as a result of the decrease in revenue from project construction services.

PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company decreased by 24.9% from HK\$1,332.8 million in 2022 to HK\$1,001.3 million in 2023. Excluding the impact of the increase in interest expenses and exchange in the year, net profit for 2023 was only decreased by 18.3%.

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\$1,934.6 million in cash from operating projects (2022: HK\$2,206.8 million). Net cash prepaid and used for the construction of various WTE plants under BOT arrangements amounted to HK\$856.1 million (2022: HK\$2,455.0 million). As a result, the total net cash generated from operating activities amounted to HK\$1,078.5 million during the year (2022: total net cash used in operating activities of HK\$248.2 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2023, the total cash and cash equivalents of the Group were HK\$1,897.6 million (31 December 2022: HK\$1,809.9 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.

In 2023, the Group received renewable national subsidies which amounted to HK\$76.6 million (2022: HK\$269.1 million).

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 31 December 2023, the Group's bank borrowings were HK\$13,945.1 million (31 December 2022: HK\$13,582.3 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2022: same) and all of them were at floating interest rates (31 December 2022: same).

Net asset of the Group was HK\$9,668.7 million (31 December 2022: HK\$9,003.9 million). The increase in net asset was mainly attributable to the profit generated during the year.

The following table sets forth the analysis of the Group's borrowings as at 31 December 2023 and 2022:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Portion of term loans due to repayment after one year		
— secured	11,496,916	11,838,520
Portion of term loans due for repayment within one year or on demand		
— secured	1,653,179	1,444,642
— unsecured	110,000	149,167
Revolving loan due for repayment within one year		
— unsecured	685,000	150,000
	<u>13,945,095</u>	<u>13,582,329</u>
Total bank borrowings	13,945,095	13,582,329

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2023, the gearing ratio was 64.3% (31 December 2022: 65.1%).

As at 31 December 2023, the Group had banking facilities in the amount of HK\$16,459.0 million, of which HK\$2,482.5 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 2023, the total cost of borrowings of the Group was HK\$692.8 million (2022: HK\$628.0 million), representing an increase of HK\$64.8 million. The increase was due to the increase in HIBOR, which led to the increase in interest rate and interest expenses of offshore borrowings. Effective interest rate ranged from 2.35% to 7.95% for the year ended 31 December 2023 (2022: 1.37% to 6.75%).

FOREIGN EXCHANGE RISK

The major operating subsidiaries of the Group operate in the PRC with transactions mainly settled in Renminbi, being the functional currency of such subsidiaries. Moreover, bank deposits of the Group were denominated in Hong Kong dollars, Renminbi and US dollars while bank loans were denominated in Hong Kong dollars and Renminbi. For subsidiaries with Hong Kong dollar as its functional currency, foreign exchange risks mainly arise from the outstanding balances due from/to group companies denominated in RMB. The Group does not have any financial instrument for the purpose of hedging. The Group manages foreign currency risks by closely monitoring the proportion of its non-Renminbi borrowings and deposits and performing regular reviews of the Group's net foreign exchange exposure.

COMMITMENTS

As at 31 December 2023, the Group's capital commitments in relation to construction cost for BOT concession rights and property, plant and equipment, which were authorised but not contracted for, amounted to HK\$1,238.8 million (31 December 2022: HK\$1,470.6 million), and HK\$25.9 million (31 December 2022: HK\$498.0 million), respectively. Its capital commitments contracted for but not yet provided for in the consolidated financial statement in relation to construction cost for BOT concession rights and property, plant and equipment amounted to HK\$230.8 million (31 December 2022: HK\$1,765.9 million) and HK\$244.5 million (31 December 2022: HK\$147.5 million), respectively, and in relation to the capital injection to associates and joint ventures amounted to HK\$65.4 million (31 December 2022: HK\$201.2 million).

PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS

As at 31 December 2023, the Controlling Shareholders have not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF MATERIAL CAPITAL ASSETS IN THE FUTURE

Save as disclosed in this announcement, during the period under review, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company and no other material investments or additions of capital assets authorised by the Board at the date of this announcement.

CAPITAL EXPENDITURES

For the year ended 31 December 2023, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs (on accrual basis) relating to service concession arrangements amounting to HK\$1,462.4 million (2022: HK\$3,904.8 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

CONTINGENT LIABILITIES

On 6 July 2020, Kewei, together with the ultimate beneficial owner of Jianyang Lujiang Biochemical Co., Ltd. ("Jianyang Lujiang") and his spouse (collectively, the "Guarantors"), entered into a joint and several guarantee agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), pursuant to which each of the Guarantors agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700.0 million (equivalent to HK\$772.5 million) (equivalent to the total amount of the project loan provided by DRC Bank to Jianyang WTE plant). The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Please refer to the announcement of the Company dated 6 July 2020 for further details.

The Group holds 49% equity interest in Dongguan Xindongyuan, which holds 30% equity interest in Dongguan Xindongqing. As at 31 December 2023, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK\$35.7 million) for bank loans of Dongguan Xindongqing (31 December 2022: RMB32.3 million (equivalent to HK\$36.2 million)).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 31 December 2023, the Group provided a corporate guarantee of RMB69.9 million (equivalent to HK\$77.1 million) for bank loans of Zhongzhou Environmental (31 December 2022: RMB90.0 million (equivalent to HK\$100.8 million)).

The Group holds 30% equity interest in Sichuan SIIC. As at 31 December 2023, the Group provided a corporate guarantee of RMB60.0 million (equivalent to HK\$66.2 million) for bank loan obtained by Sichuan SIIC (31 December 2022: nil).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2023.

PLEDGE OF ASSETS

As at 31 December 2023, the Group pledged certain of its rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, right-of-use assets, intangible assets and restricted deposits (31 December 2022: same) with an aggregate carrying amount of HK\$14,006.1 million (31 December 2022: HK\$13,786.5 million) to certain banks to secure certain credit facilities granted to the Group.

Tax relief and exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's shares.

HUMAN RESOURCES

As at 31 December 2023, the Group employed a total of 7,388 employees, 112 of them were at management level. By geographical locations, it had 7,354 employees in the PRC and 34 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). 2,500,000 share options remained outstanding as at 31 December 2023. Total remuneration costs, including Directors' remuneration, for the year were HK\$648.1 million (2022: HK\$615.4 million).

On 3 May 2019, the Company adopted the Share Award Scheme in which the Eligible Persons will be entitled to participate. The objectives of the Share Award Scheme are to (i) recognize the contributions of the Eligible Persons and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. A scheme rule and trust deed between the Company and Bank of Communications Trustee Limited as the Trustee have been entered into in this regard. Please refer to the announcements of the Company dated 3 May 2019 and 9 May 2019 for further details.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

As at 31 December 2023, the Company had not provided any financial assistance and guarantees to affiliated companies pursuant to Rule 13.16 of the Listing Rules that is subject to disclosure requirement under Rule 13.22 of the Listing Rules.

ADVANCE TO AN ENTITY PROVIDED BY THE COMPANY

As at 31 December 2023, the Company had not provided any advance to an entity pursuant to Rule 13.13 of the Listing Rules that is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

EVENTS AFTER BALANCE SHEET DATE

Saved as disclosed above, there were no other material events after balance sheet date up to the date of this announcement.

CHANGES SINCE 31 DECEMBER 2023

The Company will send the actionable corporate communications to its Shareholders individually in electronic form by email with effective from 31 December 2023. The notification letter in relation to the dissemination of corporate communications has been sent to Shareholders on 23 February 2024.

Saved as disclosed above, there were no other significant changes in the Group's financial position or information as disclosed under Management Discussion and Analysis for the year ended 31 December 2023.

PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposed to make certain amendments to the existing memorandum and articles of association, for the purpose of, among others, (i) bringing the existing memorandum and articles of association of the Company in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023; and (ii) better aligning the amendments of the existing memorandum and articles of association for housekeeping purposes with the provisions of the Listing Rules and the applicable laws of the Cayman Islands (collectively, the “Proposed Amendments”). For the purposes of the Proposed Amendments, the Board proposes to adopt the third amended and restated memorandum and articles of association, which consolidates the Proposed Amendments in substitution for, and to the exclusion of the existing memorandum and articles of association in their entirety (the “Third Amended and Restated Memorandum and Articles of Association”).

The Proposed Amendments as well as the adoption of the Third Amended and Restated Memorandum and Articles of Association are subject to approval by Shareholders at the annual general meeting to be held on Friday, 21 June 2024, or any adjourned meeting by way of special resolution. A circular of the Company containing detailed information of the Proposed Amendments as well as the adoption of the Third Amended and Restated Memorandum Articles of Association will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders (if requested) in due course.

DIVIDENDS

During the year, the Company declared an interim dividend of HK4.9 cents per ordinary share. (2022: HK6.2 cents). The Board has proposed the payment of a final dividend of HK3.2 cents (2022: HK4.7 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the annual general meeting (“AGM”) of the Company to be held on Friday, 21 June 2024, the proposed final dividend is expected to be paid on Wednesday, 31 July 2024 to Shareholders whose names appear on the register of members of the Company on Friday, 28 June 2024.

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of Shareholders who are entitled to attend and vote at the 2024 AGM

Latest time for lodging transfer documents of shares	: 4:30 p.m. on Monday, 17 June 2024
Period of closure of register of members	: Tuesday, 18 June 2024 to Friday, 21 June 2024 (both dates inclusive)

To determine the shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	: Tuesday, 25 June 2024
Latest time for lodging transfer documents of shares	: 4:30 p.m. on Wednesday, 26 June 2024
Period of closure of register of members	: Thursday, 27 June 2024 to Friday, 28 June 2024 (both dates inclusive)
Record date	: Friday, 28 June 2024

To qualify for attending and voting at the 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of Shares.

ANNUAL GENERAL MEETING

The 2024 AGM will be held on Friday, 21 June 2024. Notice of the 2024 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 (if requested) 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 2023 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 2023, 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 2023 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, 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 2023.

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 2023.

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 2023 containing all the information required under the Listing Rules will be posted on the above websites and dispatched to the Shareholders (if requested) 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 and Mr. Lui Ting Cheong Alexander, as non-executive Directors; Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, as independent non-executive Directors.

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

Hong Kong, 26 March 2024

GLOSSARY

Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Canvest Yuezhan Solid	Canvest Yuezhan Solid Waste Treatment Technology (Guangdong) Company Limited (粵豐粵展固體廢物處理科技(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules
Changning	Hengyang Canvest Environmental Construction Power Company Limited** (衡陽粵豐環建電力有限公司), a company incorporated in the PRC with limited liability
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
Dazhou SIIC	Dazhou SIIC Environment Protection Co., Ltd** (達州上實環保有限公司), a company incorporated in the PRC with limited liability, is an indirect non-wholly owned subsidiary of Sichuan SIIC, and is principally engaged in the operation of the Dazhou WTE plant
Director(s)	director(s) of the Company

Dongguan Xindongqing	Dongguan Xindongqing Environmental Investment Company Limited** (東莞市新東清環保投資有限公司), a company incorporated in the PRC with limited liability and Dongguan Xindongyuan holds 30% equity interest of it
Dongguan Xindongyuan or Machong	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company incorporated in the PRC with limited liability and the Group holds 49% equity interest of it
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞市新東粵環保實業有限公司), a company incorporated in the PRC with limited liability and the Group holds 35% equity interest of it
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huizhou	Huizhou Zhongkai Canvest Environmental Power Company Limited** (惠州仲愷粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates
Jiayang or Jiayang Canvest	Jiayang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it

Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955) and the Group holds 30.75% equity interest of it
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited** (粵豐科維環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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
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
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 C3 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.
RMB	Renminbi, the lawful currency of PRC
Share Award Scheme	the share award scheme of the Company adopted by the Board on 3 May 2019 in accordance with the rules relating to the said scheme as amended from time-to-time
Share(s)	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares

Shen County	Shen County Nanyi New Energy Power Company Limited (formerly known as “Shen County Shanghai Industrial Environmental Energy Company Limited”)** (莘縣南一新能源發電有限公司) (formerly known as “莘縣上實環保能源有限公司”), a company incorporated in the PRC with limited liability
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Sichuan SIIC	Sichuan SIIC Ecological Environmental Co., Ltd. (formerly known as “Sichuan SIIC Environmental Investment Development Co., Ltd.”)** (四川上實生態環境有限責任公司) (formerly known as 四川上實環境投資發展有限公司), a company incorporated in the PRC with limited liability. The Group effectively holds 30% equity interest of it
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars or USD	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC
VCS	Verified carbon standard
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Yi County	Baoding Yi County Canvest Environmental Power Company Limited** (保定易縣粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Yingkou	Yingkou Canvest Power Environmental Company Limited** (營口粵豐電力環保有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

