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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 2021

HIGHLIGHTS

Financial Highlights	For the year ended 31 December		Change
	2021	2020	
Revenue (HK\$'000)	6,794,571	4,987,906	+36.2%
Included: Revenue from power sales and waste treatment (HK\$'000)	2,997,264	2,062,249	+45.3%
Gross profit (HK\$'000)	2,110,279	1,545,124	+36.6%
EBITDA (HK\$'000)	2,616,444	2,061,573	+26.9%
Profit for the year (HK\$'000)	1,319,167	1,057,183	+24.8%
Profit attributable to equity holders of the Company (HK\$'000)	1,321,995	1,053,790	+25.5%
Basic earnings per Share (HK cents)	54.4	43.4	+25.4%
Proposed final dividend per Share (HK cents) ⁽¹⁾	5.8	4.9	+18.4%
Cash generated from operating projects (HK\$'000) ⁽²⁾	1,755,319	1,295,956	+35.5%

Note:

- ⁽¹⁾ During the year, the Company declared and paid the interim dividend of HK5.0 cents per Share (2021: HK3.7 cents). Together with the proposed final dividend, total dividend for 2021 will be HK10.8 cents per Share (2020: HK8.6 cents).
- ⁽²⁾ Cash generated from operating projects represented net cash generated from/used in operating activities for the year, excluding net operating cash used for project construction under BOT arrangements.

Operational Highlights

- During the year, the Group's (including its subsidiaries, associates and joint ventures) implementation of innocuous treatment of waste volume amounted to 11,073,555 tonnes. The Group generated 4,375,466,000 kWh from green energy, saving 1,142,000 tonnes of standard coal and offsetting 5,695,000 tonnes of carbon dioxide equivalent emissions⁽¹⁾.
- During the year, 9 projects commenced trial operation and the total daily operating capacity increased from 23,140 tonnes to 35,240 tonnes.
- During the year, the Group obtained 3 new projects and 1 extended expansion project with the total daily processing capacity of 5,050 tonnes. Total daily processing capacity of the Group increased to 51,990 tonnes.
- In January 2021, Sichuan Jiajieyuan was awarded a MSW transportation contract in Xinyi City, Guangdong Province.
- In June 2021, the Group acquired 30% equity interest in Sichuan SIIC to capture the development opportunities from the solid waste treatment in Sichuan Province with SIIC.
- In January 2022, Zhongshan project succeeded for the first time to obtain a loan amounted to RMB25.0 million from a financial institution by pledging the national subsidy receivable.
- In January 2022, the Group established the Strategy and Sustainability Committee.
- In February 2022, the Group entered into the operations management agreement with SIIC Baojingang, pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE Project.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2021.

Note:

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

CHAIRLADY'S STATEMENT

TO ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the year ended 31 December 2021 (the “year”).

2021 was the first year of the 14th Five-Year Plan (「十四五」規劃), the PRC government introduced a number of policies to lead the development of the renewable energy industry into a new phase. In the 14th Five-Year Plan, the PRC government has formulated a “carbon peaking” action plan for the period up to 2030 and set the target of achieving carbon neutrality by 2060, with the focus on the development of clean energy and green services, in order to promote the society towards overall green development and transformation.

In October 2021, the State Council of China issued the “Action Plan to Achieve Carbon Peaks by 2030” (《2030年前碳達峰行動方案》) (the “Plan”) request for the acceleration of the realization of green changes in production and lifestyle, and promote economic and social development based on the efficient use of resources and green low-carbon development. The Plan reiterates the need to vigorously promote the reduction of domestic waste and its resourcefulness, clearly stating that the proportion of municipal solid waste incineration should be increased and the proportion of landfill should be reduced. At the same time, the “The 14th Five-Year Plan for the Development of Municipal Solid Waste Classification and Treatment Facilities” (《「十四五」城鎮生活垃圾分類和處理設施發展規劃》) issued by the National Development and Reform Commission states that by the end of 2025, the national capacity of municipal solid waste incineration will reach about 800,000 tonnes per day, and the municipal solid waste incineration capacity accounted for about 65%.

With the adjustment and optimization of policies and measures, as a leading integrated urban environmental protection and sanitation solution provider focusing on WTE and the provision of intelligent urban environmental hygiene and related services, Canvest achieved satisfactory growth in its overall business during the year by focusing on improving its operational performance and project construction management through refined management and further innovation.

Financial Performance

During the year, the Group’s revenue increased by 36.2% year-on-year to HK\$6,794.6 million, and the profit attributable to equity holders of the Company increased by 25.5% year-on-year to HK\$1,322.0 million. Increase in total revenue was mainly contributed by the increase in revenue from power sales and waste treatment fees from newly operating plants and revenue from project construction services from the additional projects.

After taking into consideration of the Group’s development plan and investment returns to our Shareholders, the Board has proposed the declaration of a final dividend of HK5.8 cents per Share for the year ended 31 December 2021 (2020: HK4.9 cents). If approved by Shareholders, the total dividend of 2021 would be HK10.8 cents per Share (2020: HK8.6 cents).

Business Review

In 2021, despite a series of challenges of tight schedules, geographical constraints and delays in equipment supply caused by the ever-evolving COVID-19 pandemic, the Group managed to complete new projects as scheduled as all staffs and project construction entities paid concerted efforts to overcome difficulties.

As at the date of this announcement, the Group had secured 35 WTE projects with a total daily MSW processing capacity of 51,990 tonnes, of which 27 projects were in operation with a total daily MSW processing capacity of 35,240 tonnes, and the remaining projects were under construction or planning according to schedule.

The Group attached great importance to the quality of project construction and its Dianbai WTE project was awarded the Luban Prize for China Construction Engineering 2020–2021 (National Prime-quality Project) by the China Construction Industry Association, which demonstrates that the Group’s construction projects have reached the top level of the construction quality in China and have been recognised by the industry. In addition, Dianbai WTE project has been awarded “Grade AAA innocuous Waster Incineration Plant”, the highest ranking in the grading system.

In addition to placing strong emphasis on the delicacy management and construction quality of operational projects, the Group also actively maintained close cooperation with various strategic partnerships to further strengthen the Group’s competitiveness and market leadership. In addition to the joint development of the Baoshan WTE Project in the Yangtze River Delta region with SIHL, in June 2021, the Group acquired 30% equity interest in Sichuan SIIC to capture the development opportunities arising from the solid waste treatment market in Sichuan Province and to acquire other solid waste treatment companies in the future. In February 2022, the Group was authorized to manage and operate Baoshan WTE Project, which not only highlights the strong strategic partnership between the Group and SIHL, but also demonstrates the excellent management capability of the Group.

In addition, the Group steadily pressed forward with its strategic transformation by strategically developing its asset light business, including environmental hygiene and related services. Simultaneously by leveraging on its leading market position in the WTE and environmental hygiene services, the Group continued to develop integrated smart city management services, further broadening its business scope.

Canvest has always placed great emphasis on good communication with the capital market and has won numerous awards. During the year, the Group won a number of awards at the 7th Investor Relations Awards organised by the Hong Kong Investor Relations Association, including “Best IR by Chairman/CEO”, “Best IR by CFO”, “Best IRO (Investor Relations Officer)”, “Best Investor Meeting”, “Best IR Company” and “Best ESG (S)” in the category of Small Cap, recognising the Group’s efforts in building successful investor relations.

In addition, Canvest has actively pursued a sustainable development strategy. In 2021, the Group innocuously treated 11,073,555 tonnes of waste, generated 4,375,466,000 kWh of green energy, offset carbon dioxide equivalent emissions by 5,695,000 tonnes and saved 1,142,000 tonnes of standard coal. The Group’s commitment and dedication to the environmental protection were highly recognised by the market, and it was honored with the “ESG Leading Enterprise Awards 2021” in the ESG Leading Enterprise Awards 2021 in the Bloomberg Businessweek/Chinese Edition, the “GBA’s Outstanding Corporation — Social Sustainability Award (Sustainable Cities and Communities)” and the “GBA’s Outstanding Corporation — Environmental Sustainability Award (Climate Action)” in the Second Session of Greater Bay Area Corporate Sustainability Awards, as well as the “ESG Care Prize” in the InnoESG Prize 2021. In terms of corporate governance, during the year, the Group was ranked among the top “Honoured Companies” in the power sector of the “2021 All-Asia Executive Team” small and mid-cap company ranking compiled by the international authoritative financial magazine Institutional Investor. The professional recognition from the industry for the Group’s sustainable development is a great encouragement to the Group.

Outlook

In 2022, the future business environment will continue to be challenging amid the regular prevention and control of pandemic due to the ever-evolving pandemic. However, from a macro perspective, the global disaster caused by the extreme weather has reinforced the determination of the Chinese government and the community to tackle climate change. The “Carbon Peaking” and “Carbon Neutrality” targets of the PRC will not be affected by the pandemic, but will instead lead to further profound socio-economic changes that will bring new opportunities for our industry.

With precise positioning and clear objectives, our team will continue to work together to overcome uncertainties. We will vigorously implement science and technology-led, digital-enabled and ecology-focused initiatives to respond to the dual carbon goals of China.

As one of the major WTE enterprises in China, in the face of challenges and opportunities, Canvest will continue to carry out delicacy management in its main business and further develop its WTE business. We will also seize the opportunity of integrated smart city management services and expand our upstream and downstream businesses to venture into other related industries, including environmental sanitation and waste collection as well as industrial solid waste treatment, etc.

Besides continuing to accelerate its innovative transformation, the Group will develop a wide range of integrated smart city management services to drive the development of its asset light business. Our research and development team is working to apply technology in urban management, such as smart parking management business, and our ultimate goal is to expand our digital technology business to the integrated city management services. Furthermore, with the national carbon emission trading market launched, the Group is proactively explore carbon emission trading to generate potential income from carbon assets.

In 2022, the Group will continue to adhere to its mission “to protect the blue sky and clean water, and build a beautiful home” by developing renewable energy through waste-to-energy. We already established Strategy and Sustainability Committee to identify certain sustainable development objectives that are most relevant to our business and incorporate them into our business strategy, thereby strengthening and enhancing our overall strategic, environmental, social and corporate governance efforts, with a view to promoting economic development in harmony with the natural environment and creating a beautiful environment for society and the next generation.

Facing the impact of the pandemic, the Group took practical actions to give back to the community, including assisting the local government in the disposal of certain non-hazardous medical waste and providing donations to charitable organizations to help those in need.

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 during the pandemic. Canvest is committed to its corporate philosophy to “unite as one, work meticulously and strive for excellence” and continued to develop and optimize its response to the changes in the pandemic, in order to achieve sustainable growth and bring greater values for all of our stakeholders.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	6,794,571	4,987,906
Cost of sales	3	<u>(4,684,292)</u>	<u>(3,442,782)</u>
Gross profit		2,110,279	1,545,124
General and administrative expenses	3	(517,952)	(325,363)
Other income	4	237,809	211,828
Other gains, net	5	<u>32,384</u>	<u>47,767</u>
Operating profit		1,862,520	1,479,356
Interest income	6	11,854	10,747
Interest expense	6	<u>(423,462)</u>	<u>(351,389)</u>
Interest expense, net		(411,608)	(340,642)
Share of net profits of associates and joint ventures		<u>96,498</u>	<u>118,195</u>
Profit before income tax		1,547,410	1,256,909
Income tax expense	7	<u>(228,243)</u>	<u>(199,726)</u>
Profit for the year		<u>1,319,167</u>	<u>1,057,183</u>
Attributable to:			
Equity holders of the Company		1,321,995	1,053,790
Non-controlling interests		<u>(2,828)</u>	<u>3,393</u>
Profit for the year		<u>1,319,167</u>	<u>1,057,183</u>
Earnings per share			
— basic (expressed in HK cents per share)	8(a)	<u>54.4</u>	<u>43.4</u>
— diluted (expressed in HK cents per share)	8(b)	<u>54.4</u>	<u>43.4</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>1,319,167</u>	<u>1,057,183</u>
Other comprehensive income/(loss), net of tax: <i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	281,480	464,566
Release of exchange differences upon disposal of a subsidiary	<u>(336)</u>	<u>—</u>
Other comprehensive income for the year, net of tax	<u>281,144</u>	<u>464,566</u>
Total comprehensive income for the year	<u>1,600,311</u>	<u>1,521,749</u>
Attributable to:		
Equity holders of the Company	1,592,439	1,501,624
Non-controlling interests	<u>7,872</u>	<u>20,125</u>
Total comprehensive income for the year	<u>1,600,311</u>	<u>1,521,749</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Right-of-use assets		397,689	165,363
Property, plant and equipment		1,331,683	1,313,342
Intangible assets		13,317,241	10,498,427
Interests in associates and joint ventures		1,389,711	1,184,971
Deferred tax asset		—	4,045
Long-term deposits and prepayments	9	1,629,637	650,389
Receivables under service concession arrangements		<u>2,361,965</u>	<u>1,836,244</u>
		<u>20,427,926</u>	<u>15,652,781</u>
Current assets			
Inventories		22,321	15,353
Other receivables, deposits and prepayments	9	913,729	674,631
Receivables under service concession arrangements		262,836	164,189
Trade and bills receivables	9	1,062,020	699,031
Restricted deposits		46,830	46,252
Cash and cash equivalents		<u>1,704,008</u>	<u>1,769,598</u>
		<u>4,011,744</u>	<u>3,369,054</u>
Total assets		<u><u>24,439,670</u></u>	<u><u>19,021,835</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		1,469,618	1,027,163
Retained earnings		<u>4,350,966</u>	<u>3,442,497</u>
		<u>8,485,530</u>	7,134,606
Non-controlling interests		<u>400,405</u>	<u>284,815</u>
Total equity		<u><u>8,885,935</u></u>	<u><u>7,419,421</u></u>

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		11,279,473	8,357,650
Lease liabilities		2,751	—
Deferred income tax liabilities		857,969	728,722
Deferred government grants		224,716	202,505
Other non-current liabilities		8,755	6,864
		<u>12,373,664</u>	<u>9,295,741</u>
Current liabilities			
Trade and other payables	<i>10</i>	1,699,144	1,418,584
Current income tax liabilities		40,908	55,659
Bank borrowings		1,424,402	822,634
Lease liabilities		6,493	1,073
Deferred government grants		9,124	8,723
		<u>3,180,071</u>	<u>2,306,673</u>
Total liabilities		<u>15,553,735</u>	<u>11,602,414</u>
Total equity and liabilities		<u>24,439,670</u>	<u>19,021,835</u>
Net current assets		<u>831,673</u>	<u>1,062,381</u>
Total assets less current liabilities		<u>21,259,599</u>	<u>16,715,162</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 standards and amendments for the first time for the annual reporting period commencing 1 January 2021:

Amendments to Hong Kong Accounting Standard (“HKAS”) 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	—
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The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for annual reporting period ended 31 December 2021 and have not been early adopted by the Group are as follows:

Standards/Interpretations	Subject	Effective for accounting period beginning on or after
Amendments to annual improvements project	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Costing of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
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 or revised 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 2021, 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 (2020: 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 2021 (2020: same).

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from power sales	2,119,197	1,470,289
Waste treatment fee	878,067	591,960
Revenue from project construction services	3,515,339	2,705,275
Finance income from service concession arrangements	114,819	98,684
Environmental hygiene and other services income	167,149	121,698
	<u>6,794,571</u>	<u>4,987,906</u>

For the year ended 31 December 2021, the Group had transactions with three (2020: one) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$836,132,000, HK\$714,135,000 and HK\$689,705,000 were derived from the largest, the second largest and the third largest customer for the year ended 31 December 2021, respectively, while revenue of approximately HK\$770,107,000 was derived from the largest customer for the year ended 31 December 2020.

3 EXPENSES BY NATURE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Maintenance cost	201,231	163,554
Environmental protection expenses	349,148	255,986
Research and development cost	54,345	8
Impairment of trade receivables	5,933	—
Impairment of receivables under service concession arrangements	12,778	—
Impairment of other receivables	18,000	—
Remuneration to the Company's auditor		
— Audit services	3,000	3,000
— Non-audit services	—	923
Remuneration to other auditors		
— Audit services	807	826
— Non-audit services	170	135
Employee benefit expenses	488,983	350,564
Depreciation and amortisation		
— Property, plant and equipment	144,758	135,339
— Intangible assets	488,075	306,235
— Right-of-use assets	12,739	11,701
Other lease expenses*	11,161	9,295
Donations	4,520	2,075
Construction cost recognised for project construction services (included in cost of sales)	<u>3,052,412</u>	<u>2,254,396</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Value-added tax refund (<i>Note (i)</i>)	145,478	137,177
Revenue from non-hazardous waste handling	31,225	—
Sales of bottom ash	23,052	13,923
Government subsidies (<i>Note (ii)</i>)	9,795	31,903
Amortisation of deferred government grants (<i>Note (iii)</i>)	9,160	8,488
Others	<u>19,099</u>	<u>20,337</u>
	<u>237,809</u>	<u>211,828</u>

Notes:

- (i) The amount represents the Group's entitlement to value-added tax refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the Value-Added Tax on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.
- (ii) Government subsidies for the year ended 31 December 2021 mainly represent subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilizing employment (2020: The amount mainly represents the Group's entitlement to value-added tax relief in accordance with the Announcement of the "Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19", 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). There were no unfulfilled conditions and 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 and other contingencies attached to the receipts of those grants.

5 OTHER GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of a subsidiary	1,846	—
Loss on disposals of property, plant and equipment	(11)	(937)
Exchange gains, net	<u>30,549</u>	<u>48,704</u>
	<u>32,384</u>	<u>47,767</u>

6 INTEREST INCOME AND EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on bank borrowings	(491,742)	(398,819)
Interest expense on lease liabilities	(156)	(203)
Less: amount capitalised on qualifying assets	<u>68,436</u>	<u>47,633</u>
	<u>(423,462)</u>	<u>(351,389)</u>
Interest income from bank deposits	7,902	5,469
Interest income from an associate (<i>Note</i>)	<u>3,952</u>	<u>5,278</u>
Interest expense, net	<u>(411,608)</u>	<u>(340,642)</u>

Note: As at 31 December 2021, a shareholder's loan of HK\$30,578,000 (as at 31 December 2020: HK\$118,820,000) was granted to an associate and is unsecured and interest-bearing at the rate announced by the People's Bank of China and included in "Interests in associates and joint ventures" in the consolidated balance sheet.

7 INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	1,781	—
PRC enterprise income tax	<u>121,698</u>	<u>102,920</u>
Total current income tax	123,479	102,920
Deferred income tax	<u>104,764</u>	<u>96,806</u>
Income tax expense	<u>228,243</u>	<u>199,726</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime that the first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits of this subsidiary are taxed at 16.5% (2020: No Hong Kong profits tax has been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the year).

Subsidiaries incorporated in the PRC are subject to a tax rate of 25% for the years ended 31 December 2021 and 2020 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax (“EIT”) incentive that the project would be fully exempted from the PRC 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.

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

Subsidiaries	Applicable tax rate	
	2021	2020
Dongguan China Scivest Environmental Power Company Limited		
— phase 1 of its project	15%	25%
— phase 2 of its project	12.5%	0%
Dongguan Eco-Tech Environmental Power Company Limited		
— phase 1 of its project	15%	12.5%
— phase 2 of its project	12.5%	12.5%
Zhanjiang Canvest Environmental Power Company Limited	12.5%	12.5%
Qianxinan Canvest Environmental Power Company Limited (formerly known as “Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited”)		
— phase 1 of its project	15%	12.5%
— phase 2 of its project	7.5%	12.5%
Laibin Canvest Environmental Power Company Limited	7.5%	12.5%
Zhongshan City Guangye Longcheng Environmental Company Limited		
— phase 1 of its project	12.5%	12.5%
Beiliu Canvest Environmental Power Company Limited	7.5%	0%
Lufeng Canvest Environmental Power Company Limited	12.5%	0%
Xinfeng Canvest Environmental Power Company Limited	0%	0%
Xinyi Canvest Environmental Power Company Limited	0%	0%
Maoming Canvest Environmental Power Company Limited	0%	0%
Zaozhuang Zhongke Environmental Energy Company Limited (“Zaozhuang Zhongke”)	0%	0%
Zaozhuang Canvest Environmental Company Limited	0%	25%
Shaoguan Canvest Environmental Power Company Limited	0%	25%
Xuwen Canvest Environmental Power Company Limited	0%	25%
Dehong Canvest Environmental Power Company Limited	0%	25%
Yingkou Canvest Power Environmental Company Limited	0%	25%
Baoding Canvest Kewei Environmental Power Company Limited	0%	25%
Qingyuan City Zhongtian New Energy Company Limited	0%	25%

8 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>1,321,995</u>	<u>1,053,790</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>54.4</u>	<u>43.4</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 (2020: 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 2021 and 2020 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets		
Prepayments for property, plant and equipment and concession rights	1,626,490	648,373
Deposits and prepayments	<u>3,147</u>	<u>2,016</u>
	<u>1,629,637</u>	<u>650,389</u>
Current assets		
Trade and bills receivables		
— Bills receivables	1,084	4,532
— Trade receivables	1,066,869	694,499
— Less: Impairment of trade receivables	<u>(5,933)</u>	<u>—</u>
	1,062,020	699,031
Other receivable, deposits and prepayments		
— Deposits and prepayments	25,064	53,918
— Other receivables	261,361	237,801
— Value-added tax recoverable	645,304	382,912
— Less: Impairment of other receivables	<u>(18,000)</u>	<u>—</u>
	<u>1,975,749</u>	<u>1,373,662</u>
	<u>3,605,386</u>	<u>2,024,051</u>

The Group determines the provision for expected credit losses by grouping together trade and bills receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and bills receivables which are long overdue with significant balances, they are assessed individually for impairment allowance. Impairment allowance of HK\$5,933,000 was provided as at 31 December 2021 while the impairment allowance was assessed to be minimal as at 31 December 2020.

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, net of impairment, based on invoice date was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 1 month	763,596	365,917
1 to 3 months	103,342	96,409
3 to 6 months	88,074	32,984
Over 6 months	105,924	40,809
	<u>1,060,936</u>	<u>536,119</u>
Unbilled receivables (<i>Note</i>)	<u>—</u>	<u>158,380</u>
	<u><u>1,060,936</u></u>	<u><u>694,499</u></u>

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects pursuant to “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 2021, other receivables mainly include a sum of HK\$135,908,000 (31 December 2020: HK\$124,776,000) which is agreed to be reimbursed by an entity ultimately controlled by the local municipal government in related to interests in certain PRC companies. The remaining balances mainly include refundable tender deposits for potential projects (31 December 2020: 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 2021, the impairment was assessed to be HK\$18,000,000 in respect of other receivables, while the provision for impairment was assessed to be minimal as at 31 December 2020.

10 TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities		
Trade payables	261,313	185,831
Construction payables	1,115,560	958,933
Accruals and other payables	322,271	273,820
	<u>1,699,144</u>	<u>1,418,584</u>

As at 31 December 2021, include in “Trade payable” is payable of HK\$48,223,000 (31 December 2020: HK\$37,654,000) due to an associate, which is unsecured, interest-free and repayable on credit terms of 10 days after invoice received.

Accruals and prepayments mainly include accrued staff cost and other staff benefits and VAT payables.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 1 month	202,022	149,993
1 to 2 months	24,694	9,577
2 to 3 months	7,738	6,507
Over 3 months	26,859	19,754
	<u>261,313</u>	<u>185,831</u>

11 DIVIDEND

The Board has proposed the payment of a final dividend of HK5.8 cents per ordinary share for the year ended 31 December 2021 (2020: HK4.9 cents per ordinary share), totalling to HK\$141,493,000 (2020: HK\$119,538,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,439,541,169 shares) at the date of this announcement (i.e. 22 March 2022).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 17 June 2022, the proposed final dividend are expected to be paid on Friday, 22 July 2022 to shareholders whose names appear on the register of members of the Company on Monday, 27 June 2022.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2021.

During the year ended 31 December 2021, the Company has declared and paid an interim dividend of HK5.0 cents per ordinary share (2020: HK3.7 cents per ordinary share), totalling HK\$121,977,000 (2020: HK\$90,264,000).

12 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 23 February 2022, the Group acquired 29.56% equity interest of Zaozhuang Zhongke by public auction with a total consideration of RMB15,379,000 (equivalent to HK\$18,810,000).
- (b) On 1 March 2022, the Group was awarded the concession right of a WTE plant located in Quyang County, Hebei Province by way of public tender. The total daily municipal solid waste processing capacity of this project is 1,050 tonnes. It shall be constructed in two phases, of which the processing capacity of phase 1 shall be 700 tonnes and phase 2 shall be 350 tonnes. As at the date of this announcement, no concession agreement in relation to the award of the tender was entered.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the COVID-19 pandemic continues to impact the global community, but with the introduction of the vaccine, the economies of various countries have been able to restart. Facing the complex and ever-changing international environment, China has achieved stable economic growth through effective pandemic prevention and control under the normalization of the pandemic.

In 2021, China started to implement the 14th Five-Year Plan, which also represents a new excursion into a modern socialist country. As China's urbanization rate is still increasing, the construction of ecological civilization is developing in depth, and the establishment and gradual implementation of carbon peaking and carbon neutral as national strategic objectives, the Chinese government has launched a number of policies and plans in 2021, including the 14th Five-Year Plan for the Development of Urban Domestic Waste Separation and Treatment Facilities (《「十四五」城鎮生活垃圾分類和處理設施發展規劃》), which proposes that the municipal domestic waste incineration capacity will reach about 65% by the end of 2025; the 14th Five-Year Plan for the development of the circular economy (《「十四五」循環經濟發展規劃》) proposes that by 2025, circular production methods will be fully implemented, green design and clean production will be widely promoted, the comprehensive utilization of resources will be significantly enhanced, and a resource recycling industry system will be basically established; and the Work Plan for the Construction of 'Zero-Waste Cities' during the 14th Five-Year Period (《「十四五」時期「無廢城市」建設工作方案》) proposes that planning for construction of 'Zero-Waste Cities' in the prevention and control carbon peaking and carbon neutral as a whole. The official launch of the national carbon emissions trading market represents the favourable development opportunities of green and low carbon industry.

During the year, in the new context of the normalized pandemic, the Group focused on improving efficiency by implementing delicacy management, optimizing the business process, implementing digital management, and adopting real-time dynamic control. Furthermore, the talent management and training was strengthened to promote strategic transformation and increase revenue at lower expenses. As at the date of this announcement, the Group is not aware of any material adverse impact on the consolidated financial statements as a result of the pandemic.

In terms of technological innovation, besides increasing research and development investments in the digital management platform, the Group successfully developed processes such as water spray for temperature reduction, automatic pneumatic spray gun and automatic addition of chemicals over the course of production, delivering effective control over furnace temperature while improving the denitration efficiency. In terms of orderly construction and cooperation with the government in responding to the pandemic and disposing related wastes, the Group formulated safety production plans, safety construction plans and risk contingency plans during the pandemic to safeguard operating sustainability and stability in the pandemic.

Leveraging on our market leadership in WTE plants and environmental hygiene and related services, the Group will continue to expand into other integrated smart city management services.

In addition, to further enhance the Company's corporate governance and fulfill its social responsibility, in February 2022, the Group established a Strategy and Sustainability Committee, chaired by an Executive Director, to demonstrate the importance of the Group's commitment to sustainable development, as evidenced by practical actions.

OVERALL PERFORMANCE

For the year ended 31 December 2021, the Group's revenue was HK\$6,794.6 million (2020: HK\$4,987.9 million), representing an increase of 36.2% over 2020. Revenue from power sales and waste treatment was HK\$2,997.3 million (2020: HK\$2,062.2 million), representing an increase of 45.3%. The operating profit was HK\$1,862.5 million (2020: HK\$1,479.4 million). Profit attributable to equity holders of the Company was HK\$1,322.0 million (2020: HK\$1,053.8 million), representing an increase of 25.5%. Basic earnings per Share was HK54.4 cents (2020: HK43.4 cents).

During the year, the Group's implementation of innocuous treatment of waste volume amounted to 11,073,555 tonnes (including non-hazardous medical waste of approximately 10,000 tonnes and smuggling of frozen meat of approximately 33,000 tonnes). The Group generated 4,375,466,000 kWh from green energy, saving 1,142,000 tonnes of standard coal and reducing emission of carbon dioxide equivalent by 5,695,000 tonnes.

I. Waste-to-energy Business

Projects and Processing Capacity

As at 31 December 2021 and the date of this announcement, there are 35 operating, secured and announced projects in our portfolio and the daily MSW processing capacity reached 51,990 tonnes. The operating daily MSW processing capacity of 27 projects reached 35,240 tonnes.

During the year, 9 projects commenced trial operation and the total daily operating capacity increased from 23,140 tonnes to 35,240 tonnes.

During the year, the Group obtained 3 new projects and 1 extended expansion project with the total daily processing capacity of 5,050 tonnes. Total daily processing capacity of the Group increased to 51,990 tonnes.

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

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	20	30,090
Western China Region	3	5,000
Eastern China Region	5	8,850
Northern China and Northeast China Regions	5	6,250
Central China Region	2	1,800
Total	35	51,990

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

		Year ended 31 December	
		2021	2020
Southern China Region	Guangdong Province		
	Processed MSW (<i>tonnes</i>)	7,345,544	5,454,640
	Power generated (<i>MWh</i>)	3,081,187	2,185,931
	Power sold (<i>MWh</i>)	2,680,566	1,920,536
	Guangxi Zhuang Autonomous Region		
	Processed MSW (<i>tonnes</i>)	830,880	850,450
	Power generated (<i>MWh</i>)	320,904	298,244
	Power sold (<i>MWh</i>)	282,256	261,791
	Guizhou Province		
Processed MSW (<i>tonnes</i>)	450,441	423,408	
Power generated (<i>MWh</i>)	165,157	154,372	
Power sold (<i>MWh</i>)	138,439	128,964	
Western China Region	Processed MSW (<i>tonnes</i>)	732,186	—
	Power generated (<i>MWh</i>)	260,208	—
	Power sold (<i>MWh</i>)	222,738	—
Eastern China Region	Processed MSW (<i>tonnes</i>)	746,731	134,593
	Power generated (<i>MWh</i>)	250,419	34,236
	Power sold (<i>MWh</i>)	219,195	30,084
Northern China and Northeast China Regions	Processed MSW (<i>tonnes</i>)	640,202	—
	Power generated (<i>MWh</i>)	165,140	—
	Power sold (<i>MWh</i>)	137,752	—
Central China Region	Processed MSW (<i>tonnes</i>)	327,571	311,374
	Power generated (<i>MWh</i>)	132,451	122,760
	Power sold (<i>MWh</i>)	115,779	107,035
Total	Processed MSW (<i>tonnes</i>)	11,073,555	7,174,465
	Power generated (<i>MWh</i>)	4,375,466	2,795,543
	Power sold (<i>MWh</i>)	3,796,725	2,448,410

Note: 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

Guangdong Province

In 2021, 12 WTE plants continued to provide contributions. Qingyuan WTE plant, Machong WTE plant and Zhongshan II WTE plant commenced trial operation in 2021.

In February 2021, the Group was conditionally awarded the WTE project located in Huizhou City, Guangdong Province. The total daily MSW processing capacity of this WTE project shall be 1,000 tonnes. The project is currently in the planning stage. Please refer to the announcement of the Company dated 25 February 2021 for further details.

Guizhou Province and Guangxi Zhuang Autonomous Region

Xingyi WTE plant, Laibin WTE plant and Beiliu WTE plant continued to provide contributions in 2021. Phase 1 of Liping WTE plant commenced trial operation in 2021.

Western China Region

Sichuan Province

Phase 1 of Jianyang WTE plant continued to provide contributions in 2021.

Yunnan Province

Phase 1 of Ruili WTE plant and phase 1 of Xiangyun WTE plant commenced trial operation in 2021.

Eastern China Region

Shandong Province

Zaozhuang WTE plant continued to provide contributions in 2021. Shen County WTE plant is in the planning stage.

Shanghai and Jiangsu Province

Phase 1 of Jingjiang WTE plant commenced trial operation in 2021. Baoshan WTE Project and Taizhou WTE project are currently under construction.

Northern China and Northeast China Regions

Mancheng WTE plant and phase 1 of Yingkou WTE plant commenced trial operation in 2021. Linfen WTE plant is under construction. Hunyuan WTE plant is currently under planning.

In July 2021, the Group has entered into an agreement in relation to the WTE plant PPP project located in Yi County, Hebei Province with the Bureau of Housing and Urban-Rural Development in Yi County, Baoding City. The total daily MSW processing capacity of this WTE project shall be 800 tonnes and is under planning.

Central China Region

Jiangxi Province

Xinfeng WTE plant continued to provide contributions in 2021.

Hunan Province

In February 2021, the Group entered into an agreement in relation to the WTE project located in Changning City, Hunan Province with Urban Management and Law Enforcement Bureau of Changning City. The total daily MSW processing capacity of this project shall be 1,000 tonnes. Changning WTE project shall be constructed in two phases, of which the processing capacity of phase 1 shall be 600 tonnes and phase 2 shall be 400 tonnes. This project is currently under planning. Please refer to the announcement of the Company dated 25 February 2021 for further details.

In June 2021, the Group entered into a strategic cooperation agreement with a consultant company for carbon asset development consulting services.

II. Environmental Hygiene and Related Services

For the year ended 31 December 2021, Dongguan Xindongyue processed 117,751 tonnes of solidified fly ash and continued to provide contributions to the Group.

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.

Sichuan Jiajieyuan, a renowned environmental hygiene and related services player in the PRC, continued to provide stable contributions during the year. In January 2021, Sichuan Jiajieyuan was awarded the MSW transportation contract in Xinyi City, Guangdong Province. Laibin project commenced to provide contributions to the Group and Xinyi project commenced trial operation during the year.

Johnson, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong, continued to provide contributions to the Group during the year.

III. Management and Operations of Smart Car Parking Business

Leveraging on our market leading position in the WTE and environmental hygiene and services industry, the Group continued to develop its integrated smart city management services, such as smart car parking solutions.

During the year, the Group provided smart car parking solutions for over 14,000 parking spaces, covering Guangdong Province, Hebei Province and Anhui Province.

ANALYSIS OF FINANCIAL RESULTS

Revenue

During the year, the Group's revenue reached HK\$6,794.6 million, representing an increase of 36.2% when compared with HK\$4,987.9 million in 2020. Among that, revenue from power sales and waste treatment fees for the year reached HK\$2,997.3 million, representing an increase of 45.3% from 2020. Increase in total revenue was mainly contributed by the increase in revenue from power sales and waste treatment fees from newly operating plants and the revenue from project construction services from the additional projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2021 and 2020:

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Revenue from power sales	2,119,197	31.2%	1,470,289	29.5%
Revenue from waste treatment fees	878,067	12.9%	591,960	11.9%
Revenue from project construction services	3,515,339	51.7%	2,705,275	54.2%
Finance income from service concession arrangements	114,819	1.7%	98,684	2.0%
Environmental hygiene and other services income	167,149	2.5%	121,698	2.4%
Total	<u>6,794,571</u>	<u>100.0%</u>	<u>4,987,906</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 2021 and 2020:

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Southern China Region	4,668,440	68.6%	3,270,262	65.6%
Central China Region	98,763	1.5%	85,289	1.7%
Western China Region	540,196	8.0%	391,415	7.8%
Northern China and Northeast China Regions	845,976	12.5%	759,382	15.2%
Eastern China Region	641,196	9.4%	481,558	9.7%
Total	<u>6,794,571</u>	<u>100.0%</u>	<u>4,987,906</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 increased by 36.1% from HK\$3,442.8 million in 2020 to HK\$4,684.3 million in 2021. The increase was mainly attributable to the operating costs of new WTE plants that have commenced operation and increase in construction cost for project construction services.

Gross Profit and Gross Profit Margin

In 2021, gross profit of the Group amounted to HK\$2,110.3 million, representing an increase of 36.6% as compared to HK\$1,545.1 million in 2020. The increase in gross profit was mainly attributable to the improvement in the efficiency of the operating plants.

The following table sets forth the breakdown of the Group's gross profit by nature for the years ended 31 December 2021 and 2020:

	Year ended 31 December			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Power sales and waste treatment operations	1,496,538	70.9%	971,571	62.9%
Project construction services	462,927	21.9%	450,880	29.2%
Finance income from service concession arrangements	114,819	5.5%	98,684	6.4%
Environmental hygiene and other services	35,995	1.7%	23,989	1.5%
Total	2,110,279	100.0%	1,545,124	100.0%

Gross profit margin of the Group slightly increased from 31.0% in 2020 to 31.1% in 2021. The increase was mainly due to the improvement in the efficiency of the operating WTE projects and the increase in the contribution from power sales and waste treatment operations, resulting the increase in overall gross profit margin, yet it is partly offset by a project company with relatively lower gross profit margin generated by construction services.

The following table sets forth the Group's gross profit margin by nature for the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	Gross profit margin	Gross profit margin
Power sales and waste treatment operations	49.9%	47.1%
Project construction services	13.2%	16.7%
Finance income from service concession arrangements	100.0%	100.0%
Environmental hygiene and other services	21.5%	19.7%
Gross profit margin of the Group	31.1%	31.0%

General and Administrative Expenses

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

General and administrative expenses increased by 59.2% from HK\$325.4 million in 2020 to HK\$518.0 million in 2021. It was mainly due to additional WTE projects under operation and the increase in research and development expenses for innovation and digitalization.

Other Income

Other income mainly consisted of VAT refund, amortisation of deferred government grants and others. Other income increased by 12.3% from HK\$211.8 million in 2020 to HK\$237.8 million in 2021. The increase was mainly due to the revenue from the handling service for non-hazardous waste.

Other Gains, Net

During the year, the Group recorded other net gains of HK\$32.4 million as compared to HK\$47.8 million in 2020. The decrease was mainly due to the decrease in foreign exchange gain in 2021 as compared to 2020.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. Net interest expenses increased by 20.8% from HK\$340.6 million in 2020 to HK\$411.6 million in 2021. The increase in interest expenses was due to the increase in borrowings.

Share of Net Profits of Associates and Joint Ventures

Share of net profits of associates and joint ventures decreased by 18.4% from HK\$118.2 million in 2020 to HK\$96.5 million in 2021. It was mainly due to the decrease in revenue from project construction services from Jianyang Canvest as the construction was substantially completed in 2020.

Income Tax Expense

Income tax expense increased by 14.3% from HK\$199.7 million in 2020 to HK\$228.2 million in 2021. It was mainly attributable to the increase in current enterprise income tax incurred by certain operating WTE plants as a result of transiting from full tax exemption in 2020 to half tax exemption in 2021 and increase in deferred income tax as a result of the increase in revenue from project construction services.

Profit Attributable to the Equity Holders of the Company

Profit attributable to the equity holders of the Company increased by 25.5% from HK\$1,053.8 million in 2020 to HK\$1,322.0 million in 2021.

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\$1,755.3 million in cash from operating projects (2020: HK\$1,296.0 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$4,105.2 million (2020: HK\$3,061.5 million). As a result, the total net cash used in operating activities amounted to HK\$2,349.9 million during the year (2020: HK\$1,765.5 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2021, the total cash and cash equivalents of the Group were HK\$1,704.0 million (31 December 2020: HK\$1,769.6 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.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 31 December 2021, the Group's bank borrowings were HK\$12,703.9 million (31 December 2020: HK\$9,180.3 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 2020: same) and all of them were at floating interest rates (31 December 2020: same).

On 17 July 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$1,938.0 million (with incremental facilities of up to a further HK\$1,170.0 million) with a term of 36 months has been granted to the Company. As at 31 December 2021 and as at the date of this announcement, the proceeds of HK\$1,938.0 million and the incremental proceeds of HK\$598.0 million have been fully utilized for the repayment of loans and general working capital. Pursuant to the Facility Agreement I, it shall constitute a mandatory prepayment event (among others) if Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung and any trust established by any of them (collectively, "the Controlling Shareholders") collectively cease directly or indirectly to (i) have the power to (a) cast, or control the casting of, more than 35% of the maximum number of votes that might be cast at a general meeting of the Company; (b) appoint or nominate a larger number of seats on the board of directors of the Company than any other person or group; or (c) exercise the management control of the Company; (ii) hold beneficially at least 35% of the issued share capital of the Company; or (iii) be collectively the single largest shareholder of the Company. Please refer to the announcement of the Company dated 17 July 2020 for further details.

On 23 November 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$390.0 million due to expire in July 2023 has been granted to the Company. As at 31 December 2021 and as at the date of this announcement, the proceeds of HK\$390.0 million have been fully utilised for capital expenditure and general working capital.

Pursuant to the Facility Agreement II, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 23 November 2020 for further details.

On 5 August 2021, the Company (as borrower) entered into a facility agreement (the “Facility Agreement III”) with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$150.0 million for a term of 36 months from the date of drawdown has been granted to the Company. As at 31 December 2021, the proceeds of HK\$150.0 million have not been utilized. As at the date of this announcement, the proceeds has been fully utilized. Pursuant to the Facility Agreement III, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 5 August 2021 for further details.

The following table sets forth the analysis of the Group’s borrowings as at 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
	HK\$’000	HK\$’000
Portion of term loans due for repayment after one year		
— secured	11,279,473	8,357,650
Portion of term loans due for repayment within one year		
— secured	1,284,402	822,634
Revolving loans due for repayment within one year		
— unsecured	140,000	—
Total bank borrowings	<u>12,703,875</u>	<u>9,180,284</u>

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2021, the gearing ratio was 63.6% (31 December 2020: 61.0%). Net asset of the Group was HK\$8,885.9 million (31 December 2020: HK\$7,419.4 million). The increase in net asset was mainly attributable to the profit generated during the year.

As at 31 December 2021, the Group had banking facilities in the amount of HK\$15,819.8 million, of which HK\$3,068.7 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

In January 2022, Zhongshan project succeeded for the first time to obtain a loan amounted to RMB25.0 million from a financial institution by pledging the national subsidy receivable.

Cost of Borrowings

For the year ended 31 December 2021, the total cost of borrowings of the Group was HK\$491.7 million (2020: HK\$398.8 million), representing an increase of HK\$92.9 million. The increase was due to the interest expenses in relation to the increase in borrowings. Effective interest rate ranged from 1.43% to 5.39% for the year ended 31 December 2021 (2020: 2.93% to 8.00%).

Foreign Exchange Risk

The major operating subsidiaries of the Group operate in the PRC with transactions mainly settled in Renminbi, being the functional currency of such subsidiaries. Moreover, bank deposits of the Group were denominated in Hong Kong dollars, Renminbi and US dollars while bank loans were denominated in Hong Kong dollars and Renminbi. Save as disclosed above, the Group did not have any material exposures to foreign exchange risk. The Group does not have any financial instrument for the purpose of hedging. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings and deposits.

Commitments

As at 31 December 2021, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$2,304.4 million (31 December 2020: HK\$2,848.8 million). Its capital commitment contracted for but not yet provided for in the consolidated financial statement in relation to construction cost amounted to HK\$4,507.3 million (31 December 2020: HK\$4,650.7 million), and in relation to the capital injection to associates and joint ventures amounted to HK\$204.0 million (31 December 2020: HK\$175.3 million).

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

To facilitate the Group's business expansion in Hong Kong, the Group entered into a sales and purchase agreement on 30 June 2021 with an independent third party in relation to the acquisition of the entire issued share capital and shareholder's loan of two companies for a total consideration of HK\$250.0 million with adjustments. The companies are investment holding companies, which in turn hold two commercial properties, rooftop and two carpark spaces in Hong Kong and it will be used as the business office of the Group in the future.

On 10 June 2021, the Group entered into the share purchase agreement with Shanghai Galaxy Digital Investment Co., Ltd. (上海星河數碼投資有限公司), a connected person of the Company, to acquire 30% equity interest in Sichuan SIIC at a consideration of approximately RMB12.8 million (equivalent to HK\$15.6 million) and a sale loan. Sichuan SIIC owns 85% equity interest in Langzhong Mingcheng Domestic Waste Treatment Co., Ltd. (閬中市名城生活垃圾處理有限公司), which holds a BOT concession right project in Langzhong city, Sichuan Province. Please refer to the announcement of the Company dated 10 June 2021 for further details. This acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 18 December 2020, Kewei entered into an equity transfer agreement with Guangdong Deji Environment Development Company Limited (廣東德濟環境發展有限公司), pursuant to which Kewei agreed to dispose 59.5% equity interest in Canvest Guoye Environmental Investment (Guangdong) Company Limited (粵豐國業環保投資(廣東)有限公司) (“Canvest Guoye”) at a consideration of RMB30.2 million (including reimbursements) (equivalent to HK\$36.3 million). Canvest Guoye owns a concession right to construct a plant to process industrial waste at Jieyang Dananhai Petrochemical Industrial Park, Jieyang City, Guangdong Province. The Group no longer controlled the operation of Canvest Guoye since June 2021 but retained 25.5% equity interest in it after the completion of the disposal.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the year ended 31 December 2021. Apart from those disclosed in this announcement, there were 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 2021, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements and purchase of new office amounting to HK\$3,405.8 million (2020: HK\$2,319.5 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

Contingent Liabilities

On 6 July 2020, Kewei, 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\$856.2 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 2021, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK\$39.5 million) for bank loans of Dongguan Xindongqing (31 December 2020: RMB32.3 million (equivalent to HK\$38.4 million)).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 31 December 2021, the Group provided a corporate guarantee of RMB90.0 million (equivalent to HK\$110.1 million) for bank loans of Zhongzhou Environmental (31 December 2020: RMB90.0 million (equivalent to HK\$106.9 million)).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2021.

Pledge of Assets

As at 31 December 2021, the Group pledged certain of its rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, and intangible assets (31 December 2020: certain of its right to collect revenue from power sales and waste handling, property, plant and equipment and intangible assets) with an aggregate carrying amount of HK\$12,940.5 million (31 December 2020: HK\$10,232.1 million) to certain banks to secure certain credit facilities granted to the Group.

Continuing Connected Transactions

On 12 July 2018, the Company entered into the leasing framework agreement (“YX 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). The annual caps for the transactions for the period from 13 July 2018 to 31 December 2018, for the financial years ended 31 December 2019 and 2020, and for the period from 1 January 2021 to 30 June 2021 are RMB3.5 million, RMB7.0 million, RMB7.0 million and RMB3.5 million, respectively. Please refer to the announcement of the Company dated 12 July 2018 for further details.

As the business of the Group continues to develop, it is still necessary to continue to lease the offices in order to facilitate the Group’s operations and continuing expansion. On 3 June 2021, the Company and Yue Xing entered into the supplemental leasing framework agreement (“YX Supplemental Leasing Framework Agreement”) to renew and revise the annual caps in the YX Leasing Framework Agreement for a term of three years commencing from 1 July 2021 and will expire on 30 June 2024 (both days inclusive). The annual caps for the transactions for the period from 1 July 2021 to 31 December 2021, for the financial years ending 31 December 2022 and 2023 and for the period from 1 January 2024 to 30 June 2024 are RMB5.0 million, RMB10.0 million, RMB10.0 million and RMB5.0 million, respectively. Please refer to the announcement of the Company dated 3 June 2021 for further details. For the year ended 31 December 2021, the rent paid by the Group to Yue Xing was HK\$7.9 million (2020: HK\$7.0 million).

On 7 February 2022, in order to facilitate our operations and continuing expansion and better govern the portfolio of properties available for leasing by the Group from companies controlled by Mr. Lai Chun Tung, an Executive Director, (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement. On the same day, the Company and Sanyang entered into the Sanyang Leasing Framework Agreement, pursuant to which Sanyang agreed to lease certain commercial properties held by itself and companies controlled by it (including that of Yue Xing) to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB10.8 million, RMB10.8 million, RMB10.8 million and RMB0.9 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details.

On 7 February 2022, the Company and Canvest ECT entered into the MAS Framework Agreement, pursuant to which Canvest ECT has been engaged to provide monitoring and audit services for the routine maintenance works for the machineries operated by the Group in the Group's WTE plants for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB6.5 million, RMB7.0 million, RMB7.5 million and RMB0.7 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details.

On 9 February 2022, the Group entered into the operations management agreement with SIIC Baojingang, pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE Project. The annual caps for the transactions for the financial years ending 31 December 2022 to 2025 are RMB46.0 million, RMB46.0 million, RMB46.0 million and RMB46.0 million, respectively. Please refer to the announcements of the Company dated 9 February 2022 and 11 February 2022 for further details.

Each of the above continuing connected transactions is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules.

Human Resources

As at 31 December 2021, the Group employed a total of 3,976 employees, 78 of them were at management level. By geographical locations, it had 3,948 employees in the PRC and 28 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). For the year ended 31 December 2021, 500,000 share options had lapsed and 2,500,000 share options remained outstanding as at 31 December 2021. Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2021 were HK\$489.0 million (2020: HK\$350.6 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.

Events after Balance Sheet Date

- (a) On 23 February 2022, the Group acquired 29.56% equity interest in Zaozhuang Zhongke by public auction with a total consideration of approximately RMB15.4 million (equivalent to approximately HK\$18.8 million).
- (b) On 1 March 2022, the Group was awarded the concession right of a WTE plant located in Quyang County, Hebei Province by way of public tender. The total daily municipal solid waste processing capacity of this project is 1,050 tonnes. It shall be constructed in two phases, of which the processing capacity of phase 1 shall be 700 tonnes and phase 2 shall be 350 tonnes. As at the date of this announcement, no concession agreement in relation to the award of the tender was entered.

Changes since 31 December 2021

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 2021.

Dividends

During the year, the Company declared an interim dividend of HK5.0 cents per Share. (2020: HK3.7 cents). The Board has proposed the payment of a final dividend of HK5.8 cents (2020: HK4.9 cents) per 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, 17 June 2022, the proposed final dividend is expected to be paid on Friday, 22 July 2022 to Shareholders whose names appear on the register of members of the Company on Monday, 27 June 2022.

Closure of Register of Members

To determine the identity of Shareholders who are entitled to attend and vote at the 2022 AGM

Latest time for lodging transfer documents of shares	: 4:30 p.m. on Monday, 13 June 2022
Period of closure of register of members	: Tuesday, 14 June 2022 to Friday, 17 June 2022 (both dates inclusive)

To determine the Shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	: Tuesday, 21 June 2022
Latest time for lodging transfer documents of shares	: 4:30 p.m. on Wednesday, 22 June 2022
Period of closure of register of members	: Thursday, 23 June 2022 to Monday, 27 June 2022 (both dates inclusive)
Record date	: Monday, 27 June 2022

To qualify for attending and voting at the 2022 AGM and/or entitlement to the final dividend, all properly completed transfer forms accompanied by the Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of Shares.

Annual General Meeting

The 2022 AGM will be held on Friday, 17 June 2022. Notice of the 2022 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 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 2021 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 2021, 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 2021 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 2021, the Company has complied with the code provisions set out in Part 2 of 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 2021.

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 2021.

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 2021 containing all the information required under the Listing Rules will be dispatched to the 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 and Mr. Lui Ting Cheong Alexander, 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, 22 March 2022

GLOSSARY

Baoshan WTE Project	the WTE project under construction and located in Baoshan District, Shanghai municipality and owned by SIIC Baojingang
Beiliu	Beiliu Canvest Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Canvest ECT	Guangdong Canvest Energy Conservation Technology Co., Ltd.** (廣東粵豐節能科技有限公司), a company incorporated in the PRC and is held by Mr. Guo Huiqiang** (郭惠強), an associate of Mr. Lai Chun Tung, an Executive Director, as to 51.0% and Mr. Lai Chun Tung as to 49.0%
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
China or PRC	the People’s Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

Director(s)	director(s) of the Company
Dongguan 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
Hunyuan	Datong Canvest Environmental Power Company Limited** (大同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 a joint venture with 50% equity interest held by the Group and 50% equity interest held by Jiayang Lujiang
Jingjiang	Jingjiang Canvest Environmental Power Company Limited** (靖江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
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 (formerly known as “Dongguan Kewei Environmental Power Company Limited”)** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin	Laibin Canvest Environmental Power Company Limited (formerly known as “Laibin Zhongke Environmental Power Company Limited”)** (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Linfen	Linfen Canvest Environmental Power Company Limited** (臨汾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
Liping	Qiandongnanzhou Liping Canvest Environmental Power Company Limited** (黔東南州黎平粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

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
Mancheng	Baoding Canvest Kewei Environmental Power Company Limited** (保定粵豐科維環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠市中田新能源有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
Ruili	Dehong Canvest Environmental Power Company Limited** (德宏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
Sanyang	Dongguan Sanyang Industrial Development Co., Ltd.** (東莞市三陽實業發展有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an Executive Director, and his associate
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
Shen County	Shen County Shanghai Industrial Environmental Energy Company Limited** (莘縣上實環保能源有限公司), a company incorporated in the PRC with limited liability and the Group holds 20% equity interest of it
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
SIHL	Shanghai Industrial Holdings Limited (上海實業控股有限公司), 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
SIIC	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated under the laws of Hong Kong with limited liability
SIIC Baojingang	Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd.** (上海上實寶金剛環境資源科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIHL. The Group effectively holds 18% 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	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC

WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xiangyun	Xiangyun Shengyun Environmental Energy Co., Ltd** (祥雲盛運環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xinfeng	Xinfeng Canvest Environmental Power Company Limited (formerly known as “Jiangxi Xinfeng Kunyue Environmental Power Company Limited”)** (信豐粵豐環保電力有限公司) (formerly known as 江西信豐坤躍環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xingyi	Qianxinan Canvest Environmental Power Company Limited (formerly known as “Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited”)** (黔西南粵豐環保電力有限公司) (formerly known as 黔西南州興義市鴻大環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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
Yue Xing	Dongguan City 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, and his associate
Zaozhuang or Zaozhuang Zhongke	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Zhongshan	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

Zhongzhou Environmental Huizhou City Zhongzhou Environmental Resources Company Limited** (惠州中洲環保資源有限公司), a company incorporated in the PRC with limited liability and the Group holds 40% equity interest of it

% 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*