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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 2022

HIGHLIGHTS

	For the year ended 31 December		Change
	2022	2021	
Financial Highlights			
Revenue (HK\$'000)	8,246,645	6,794,571	+21.4%
Included: Revenue from power sales and waste treatment (HK\$'000)	3,486,671	2,997,264	+16.3%
Gross profit (HK\$'000)	2,529,021	2,110,279	+19.8%
EBITDA (HK\$'000)	3,086,236	2,616,444	+18.0%
Profit for the year (HK\$'000)	1,359,463	1,319,167	+3.1%
Profit attributable to equity holders of the Company (HK\$'000)	1,332,805	1,321,995	+0.8%
Basic earnings per Share (HK cents)	54.9	54.4	+0.9%
Total dividend per Share (HK cents) ⁽²⁾	10.9	10.8	+0.9%
Cash generated from operating projects (HK\$'000) ⁽¹⁾	2,206,831	1,755,319	+25.7%

Note:

⁽¹⁾ 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.

⁽²⁾ Including proposed final dividend for the year ended 31 December 2022.

Operational Highlights

- In 2022, the Group's (including its subsidiaries, associates and joint ventures) implementation of innocuous treatment of waste volume amounted to 13,993,553 tonnes. The Group generated 5,249,545,000 kWh from green energy, saved 1,381,000 tonnes of standard coal and offset 6,769,000 tonnes of carbon dioxide equivalent emissions⁽¹⁾.
- In 2022, phase 1 of Linfen WTE plant, Baoshan WTE plant, Taizhou WTE plant and phase 1 of Dazhou WTE plant commenced trial operation and the total daily operating capacity increased from 35,240 tonnes to 41,890 tonnes.
- In 2022, the Group obtained 4 new projects and total daily processing capacity of the Group increased to 56,740 tonnes.
- 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 plant.
- In September 2022, the Group entered into the operations management agreement with Dazhou SIIC, pursuant to which Dazhou SIIC entrusted the Group to manage and operate Dazhou WTE plant.
- In March 2023, the Group entered into the waste processing service agreement with Dazhou SIIC, pursuant to which the Group will (i) transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant; (ii) dispose the solidified fly ash generated by Dazhou WTE plant to the landfill; and (iii) detect and repair impermeable membranes at the landfill for three years.

The board is pleased to announce the audited results of the Group for the year ended 31 December 2022.

Note:

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

CHAIRLADY'S STATEMENT

TO ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the solid results of the Group for the year ended 31 December 2022 (the “year”).

In 2022, we experienced an extraordinary year whereby market conditions continued to evolve. The pandemic conditions resurged and scattered across the PRC, together with international geopolitical volatility, monetary policy shifts in major global economies, interest rate hike, and simultaneous emergence of food, energy and debt crises, cast increasing uncertainties over economic environments both at home and abroad, thereby exposing the global market to an economic recession and struck on various industries.

Despite the complex and changing macroeconomic situation, the PRC continued to focus on its “Dual Carbon” goals by orderly advancing its “Carbon Peaking” and “Carbon Neutrality” initiatives. Since 2022, the PRC has introduced a series of industrial policies, including the “14th Five-Year Plan for Renewable Energy Development” (《「十四五」可再生能源發展規劃》) released in the first half of the year. Subsequently, the “14th Five-Year Plan for Ecological Environment Protection” (《生態環境保護「十四五」規劃》) was successively introduced in various provinces and cities. In the second half of the year, the government also released the “Notice on Accelerating the Implementation Plan to Address the Shortcomings and Weaknesses of Domestic Waste Incineration Treatment Facilities in County-level Areas” (《加快補齊縣級地區生活垃圾焚燒處理設施短板弱項的實施方案的通知》), the “Guiding Opinions on Accelerating the Construction of Urban Environmental Infrastructure” (《關於加快推進城鎮環境基礎設施建設指導意見》) and the “Guiding Opinions on Strengthening the Construction of Domestic Waste Incineration Facilities in County-level Areas” (《關於加強縣級地區生活垃圾焚燒處理設施建設的指導意見》), which demonstrated the government’s determination to continue the firm promotion of green and low-carbon development for “Zero-Waste Cities” during the “14th Five-Year Plan”. As a crucial part of the innocuous treatment of domestic waste, WTE not only ensures effective waste management, but also provides clean energy, plays an important role in the construction of “Zero-Waste Cities” and achieves the “Dual Carbon” strategic goals during the “14th Five-Year Plan”. However, the industry is also confronted with different development challenges, as the industry entered into a stable phase after years of development, thereby shifting from cities to county-level regions with a higher industry concentration and reduced room for incremental markets. Coupled with diminishing national subsidies and uncertainties in competitive subsidies bidding, the entire industry is in the process of exploring opportunities for high-quality development during the phase of adjustment.

Despite industrial adjustment and macroeconomic uncertainties, the Group, as a leading integrated urban environmental protection and sanitation solution provider that engages in the WTE business and provides intelligent urban environmental hygiene and related services, continued to improve its operational management performance and project construction management by capitalizing on digital and refined management. Besides building a smart environmental sanitation system, the Group continued to expand the application of intelligent sensing facilities and technologies in the environmental sanitation field, thus improving the quality and efficiency of various environmental sanitation work. Meanwhile, in the context of the “Zero-Waste Cities” and “Dual Carbon” goals, the Group achieved project synergy by comprehensively integrating the upstream and downstream industry chains, so as to seize market opportunities arising from “Incineration +”.

Financial Performance

In 2022, the Group’s revenue increased by 21.4% year-on-year to HK\$8,246.6 million, and the profit attributable to equity holders of the Company increased by 0.8% year-on-year to HK\$1,332.8 million. The increase in Group’s revenue was mainly contributed by the increase in power sales and waste treatment fees from operating plants and the construction revenue 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 HK4.7 cents per Share for the year ended 31 December 2022 (2021: HK5.8 cents). If approved by Shareholders, the total dividend of 2022 would be HK10.9 cents per Share (2021: HK10.8 cents).

Business Review

In 2022, under the impact of the resurgent pandemic, daily business activities were interrupted in various regions across the PRC. However, all of the Group’s employees and project construction units worked together to overcome difficulties. Meanwhile, by virtue of strong execution and operational capabilities, the Group succeeded in tackling various challenges to maintain its stable business development, and facilitated the extension and expansion of its upstream and downstream asset light business, speeded up the development of its “Incineration +” model.

During the year, the Group innocuously treated 13,993,553 tonnes of waste, generated 5,249,545,000 kWh of green energy, offset 6,769,000 tonnes of carbon dioxide equivalent emissions, and saved 1,381,000 tonnes of standard coal. During the year, the Group had secured 38 WTE projects with a total daily MSW processing capacity of 56,740 tonnes. In addition, the Group was committed to ensuring that projects were put into operation as planned. The Group has a total of 31 projects in operation with a total daily MSW processing capacity of 41,890 tonnes, of which phase 1 of Linfen WTE plant, Baoshan WTE plant, Taizhou WTE plant and phase 1 of Dazhou WTE plant were put into trial operating during the year with an increase of 6,650 tonnes in daily processing capacity. In addition, the Group was awarded concession rights pertaining to Huidong WTE project, Baise WTE project and Quyang WTE project thereby consolidating our regional advantages in Guangdong Province, while further expanding our business deployment across the PRC market.

In addition to WTE operation, Canvest continues to promote its strategic extension and expansion, while strategically developing upstream and downstream environmental sanitation and related services with growth potential. During the year, the Group successfully won the bid for the environmental sanitation subcontracting contracts in Laishui County and Quyang County of Hebei Province, as well as Chengdu City and Yibin City of Sichuan Province, the landfill remediation projects in Qingyuan City, Zhongshan City and Congjiang County, further reinforcing the industry chain integration of the WTE business with the integrated environmental sanitation and gradually expanding the “Incineration +” business model. Meanwhile, the Group endeavored to expand revenue stream from various channels, such as one-stop services for entrusted operations as well as stream sales. During the year, the Group entered into operation and management agreements for Baoshan project and Dazhou project with SIIC Baojingang and Dazhou SIIC to manage their respective WTE projects.

Moreover, the Group proactively continued to press ahead with economic development premised on harmonious coexistence with the natural environment. In January 2022, the Strategy and Sustainability Committee was established to strengthen and enhance the Group’s overall strategic, environmental, social and corporate governance efforts. The Group has also maintained high standards for project construction and operation, with various accomplishments in its sustainable development. A number of projects under the Group have been awarded the “Hong Kong — Guangdong Cleaner Production Excellent Partner (Manufacturing)” under the “Hong Kong — Guangdong Cleaner Production Partners Recognition Scheme”, in recognition of our outstanding achievements in energy conservation, emission reduction, and clean production in our daily operations. 7 projects of the Group was awarded “Grade AAA Innocuous Waste Incineration Plant”, of which 6 of them are national level “Grade AAA Innocuous Waste Incineration Plant”, constituting over one-third of AAA projects in Guangdong Province.

Canvest’s determination for sustainable development and its commitment to environmental protection have also been highly recognized by the market. Despite the macroeconomic volatility, the Group managed to secure the extension of a green syndicated loan of HK\$2,891.0 million, which reflected the “Incineration +” business model earned the support and trust from various banks. At the same time, it highlighted the excellent performance of Canvest in the ESG field, which has gained recognition from the banking industry. On the other hand, the Group has been named an ESG Leading Enterprise for the second consecutive year at ESG Leading Enterprise Awards 2022, organized by the international authoritative financial magazine Bloomberg Businessweek/Chinese Edition and co-organized by Deloitte; the “Best ESG Award” at the 6th China IR Annual Awards organized by Roadshow China and its sub-brand Excellence IR; the “Special ESG Award — Outstanding ESG Performer of the Year (Platinum)” and “Outstanding Sustainability and Dividend Growth Award” at “The ESG Achievement Awards 2021/2022” organized by the Institute of ESG & Benchmark; and the “2022 Responsible Brand Award” at the 12th Philanthropy Festival.

Outlook

2023 represents the beginning year of the comprehensive implementation of the spirit of the 20th CPC National Congress, and the country will step into a new era of development. At the same time, with the COVID-19 conditions waning in the PRC, the PRC economy is expected to gradually return to normal. On the other hand, the PRC continued its efforts to achieve the “Carbon Peaking” and “Carbon Neutrality” targets, with policies related to energy conservation, carbon reduction and energy development introduced by local governments, as well as successive announcements of medium-term and long-term special plans for municipal WTE projects. It will advance a profound transformation of the society and economy, presenting new opportunities to our industry.

Against the backdrop of diminishing national subsidies, stringent environmental supervision, and insufficient waste supply, the Group will continue to promote its “Incineration +” model, actively increase its efforts to develop upstream and downstream business expansion and development along the industry chain of waste incineration through strategic cooperation, seize opportunities to vigorously expand environmental and hygiene-related services, and strengthen the consolidation of industry chain among the WTE and integrated environmental sanitation through synergistic effect. As a major WTE enterprise in China, Canvest will continue to strengthen technological innovation, gradually transitioning from the growth in “quantity” to the enhancement in “quality”. Through strengthened refined management of its projects, keep close track of production and operation indicators to enhance operating efficiency by addressing inadequacies and strengthening weak links, which will in return promote the benign cycle of project production and operation so that we can continue to penetrate the WTE business. At the same time, the Group will vigorously explore small-scale project models and one-stop services for entrusted operations, while proactively developing comprehensive smart city management businesses using green technology. These initiatives aim to seek new paths, broaden new tracks, and provide new impetus for our business development.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, capital partners and stakeholders for their long-term and unfailing support. We join hands with them to create a better environment and lead the industry development. Canvest will firmly maintain confidence, clarify our strategies, and strive for innovation, so as to achieve breakthrough and sustainable growth in operation and bring greater returns for shareholders.

Lee Wing Yee Loretta

Chairlady

Hong Kong, 22 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	2	8,246,645	6,794,571
Cost of sales	3	<u>(5,717,624)</u>	<u>(4,684,292)</u>
Gross profit		2,529,021	2,110,279
General and administrative expenses	3	(580,010)	(517,952)
Other income	4	215,875	237,809
Other (losses)/gains, net	5	<u>(108,163)</u>	<u>32,384</u>
Operating profit		2,056,723	1,862,520
Interest income	6	14,500	11,854
Interest expense	6	<u>(614,284)</u>	<u>(423,462)</u>
Interest expense, net		(599,784)	(411,608)
Share of net profits of associates and joint ventures		<u>189,934</u>	<u>96,498</u>
Profit before income tax		1,646,873	1,547,410
Income tax expense	7	<u>(287,410)</u>	<u>(228,243)</u>
Profit for the year		<u>1,359,463</u>	<u>1,319,167</u>
Attributable to:			
Equity holders of the Company		1,332,805	1,321,995
Non-controlling interests		<u>26,658</u>	<u>(2,828)</u>
Profit for the year		<u>1,359,463</u>	<u>1,319,167</u>
Earnings per share			
— basic (expressed in HK cents per share)	8(a)	<u>54.9</u>	<u>54.4</u>
— diluted (expressed in HK cents per share)	8(b)	<u>54.9</u>	<u>54.4</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>1,359,463</u>	<u>1,319,167</u>
Other comprehensive (loss)/income, net of tax: <i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	(977,155)	281,480
Release of exchange differences upon disposal of a subsidiary	<u>—</u>	<u>(336)</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(977,155)</u>	<u>281,144</u>
Total comprehensive income for the year	<u><u>382,308</u></u>	<u><u>1,600,311</u></u>
Attributable to:		
Equity holders of the Company	402,246	1,592,439
Non-controlling interests	<u>(19,938)</u>	<u>7,872</u>
Total comprehensive income for the year	<u><u>382,308</u></u>	<u><u>1,600,311</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Right-of-use assets		475,737	397,689
Property, plant and equipment		1,158,951	1,331,683
Intangible assets		14,569,667	13,317,241
Interests in associates and joint ventures		1,461,723	1,389,711
Long-term deposits and prepayments	9	432,445	1,629,637
Receivables under service concession arrangements		3,242,873	2,361,965
		<u>21,341,396</u>	<u>20,427,926</u>
Current assets			
Inventories		30,569	22,321
Other receivables, deposits and prepayments	9	876,949	913,729
Receivables under service concession arrangements		266,752	262,836
Trade and bills receivables	9	1,316,320	1,062,020
Restricted deposits		124,626	46,830
Time deposits		22,500	—
Cash and cash equivalents		1,809,883	1,704,008
		<u>4,447,599</u>	<u>4,011,744</u>
Assets classified as held-for-sale	11	31,186	—
		<u>4,478,785</u>	<u>4,011,744</u>
Total assets		<u>25,820,181</u>	<u>24,439,670</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		866,301	1,469,618
Retained earnings		5,171,787	4,350,966
		<u>8,703,034</u>	<u>8,485,530</u>
Non-controlling interests		300,872	400,405
Total equity		<u>9,003,906</u>	<u>8,885,935</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		11,838,520	11,279,473
Lease liabilities		—	2,751
Deferred income tax liabilities		941,508	857,969
Deferred government grants		189,807	224,716
Other non-current liabilities		10,400	8,755
		<u>12,980,235</u>	<u>12,373,664</u>
Current liabilities			
Trade and other payables	<i>10</i>	2,014,727	1,699,144
Current income tax liabilities		62,280	40,908
Bank borrowings		1,743,809	1,424,402
Lease liabilities		2,751	6,493
Deferred government grants		12,473	9,124
		<u>3,836,040</u>	<u>3,180,071</u>
Total liabilities		<u>16,816,275</u>	<u>15,553,735</u>
Total equity and liabilities		<u>25,820,181</u>	<u>24,439,670</u>
Net current assets		<u>642,745</u>	<u>831,673</u>
Total assets less current liabilities		<u>21,984,141</u>	<u>21,259,599</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 2022:

Amendments to annual improvements project	Annual Improvements to HKFRS Standards 2018–2020 Cycle
Amendments to Hong Kong Accounting Standard (“HKAS”) 37	Onerous Contracts — Costing of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use

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 reporting period ended 31 December 2022 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 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
HKFRS 17	Insurance Contracts (New Standard)	1 January 2023
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
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 2022, 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 (2021: 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 2022 (2021: same).

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from power sales	2,399,495	2,119,197
Waste treatment fee	1,087,176	878,067
Revenue from project construction services	4,360,980	3,515,339
Finance income from service concession arrangements	171,993	114,819
Environmental hygiene and other services income	227,001	167,149
	<u>8,246,645</u>	<u>6,794,571</u>

For the year ended 31 December 2022, the Group had transactions with one (2021: three) customer which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$889,240,000 was derived from the largest customer for the year ended 31 December 2022, while 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.

3 EXPENSES BY NATURE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Maintenance cost	226,962	201,231
Environmental protection expenses	407,870	349,148
Research and development cost	52,065	54,345
Impairment of trade receivables	6,000	5,933
Impairment of receivables under service concession arrangements	14,000	12,778
Impairment of other receivables	8,956	18,000
Remuneration to the Company's auditor		
— Audit services	3,000	3,000
Remuneration to other auditors		
— Audit services	927	807
— Non-audit services	63	170
Employee benefit expenses	615,353	488,983
Depreciation and amortisation		
— Property, plant and equipment	151,106	144,758
— Intangible assets	650,464	488,075
— Right-of-use assets	23,509	12,739
Other lease expenses*	12,597	11,161
Donation	8,842	4,520
Construction cost recognised for project construction services (included in cost of sales)	<u>3,695,980</u>	<u>3,052,412</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Value-added tax refund (<i>Note (i)</i>)	124,118	145,478
Revenue from non-hazardous waste handling	28,097	31,225
Sales of bottom ash and scrap materials	35,827	23,052
Government subsidies (<i>Note (ii)</i>)	4,117	9,795
Amortisation of deferred government grants (<i>Note (iii)</i>)	12,552	9,160
Others	<u>11,164</u>	<u>19,099</u>
	<u>215,875</u>	<u>237,809</u>

Notes:

- (i) The amount represents the Group's entitlement to value-added tax refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the Value-Added Tax on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions or other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.
- (ii) Government subsidies for the year ended 31 December 2022 mainly represent cash subsidies in respect of the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administrative Region Government and subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilising employment (2021: the amount mainly represents subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilising employment). There were no unfulfilled conditions or other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.
- (iii) Government grants recognised were related to the construction of infrastructure under service concession arrangements. There were no unfulfilled conditions or other contingencies attached to the receipts of those grants.

5 OTHER (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of a subsidiary	—	1,846
Loss on disposals of property, plant and equipment	(9)	(11)
Exchange (losses)/gains, net	<u>(108,154)</u>	<u>30,549</u>
	<u><u>(108,163)</u></u>	<u><u>32,384</u></u>

6 INTEREST INCOME AND EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on bank borrowings	(627,992)	(491,742)
Interest expense on lease liabilities	(150)	(156)
Less: amount capitalised on qualifying assets	<u>13,858</u>	<u>68,436</u>
	(614,284)	(423,462)
Interest income from bank deposits	13,924	7,902
Interest income from an associate (<i>Note</i>)	<u>576</u>	<u>3,952</u>
Interest expense, net	<u><u>(599,784)</u></u>	<u><u>(411,608)</u></u>

Note: The shareholder's loan due from an associate, included in "Interest in associates and joint ventures" in the consolidated balance sheet was unsecured and interest-bearing at the rate announced by the People's bank of China, which was fully settled as at 31 December 2022 (31 December 2021: HK\$30,578,000).

7 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	(511)	1,781
PRC enterprise income tax	<u>128,976</u>	<u>121,698</u>
Total current income tax	128,465	123,479
Deferred income tax	<u>158,945</u>	<u>104,764</u>
Income tax expense	<u>287,410</u>	<u>228,243</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits of this subsidiary are taxed at 16.5% (2021: same).

Subsidiaries incorporated in the PRC are subject to a tax rate of 25% for the year ended 31 December 2022 and 2021 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 (2021: same).

Besides, certain PRC subsidiaries were approved as High and New Technology Enterprise and subject to a preferential EIT rate of 15% (2021: same).

8 EARNINGS PER SHARE

(a) Basic

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

	2022	2021
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>1,332,805</u>	<u>1,321,995</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>54.9</u>	<u>54.4</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 (2021: 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 2022 and 2021 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have no dilutive effect on the basic earnings per share.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
Prepayments for property, plant and equipment and concession rights	431,026	1,626,490
Deposits and prepayments	1,419	3,147
	<u>432,445</u>	<u>1,629,637</u>
Current assets		
Trade and bills receivables		
— Bills receivables	—	1,084
— Trade receivables (<i>Note</i>)	1,328,253	1,066,869
— Less: Impairment of trade receivables	(11,933)	(5,933)
	<u>1,316,320</u>	<u>1,062,020</u>
Other receivables, deposits and prepayments		
— Deposits and prepayments	23,901	25,064
— Other receivables (<i>Note</i>)	239,912	261,361
— Value-added tax recoverable	640,092	645,304
— Less: Impairment of other receivables	(26,956)	(18,000)
	<u>2,193,269</u>	<u>1,975,749</u>
	<u><u>2,625,714</u></u>	<u><u>3,605,386</u></u>

Note: As at 31 December 2022, included in “Trade receivables” are receivables of HK\$9,347,000 (31 December 2021: nil) due from the subsidiary of the Group’s associate, which are unsecured, interest-free and repayable on the twenty-fifth of next month according to the credit terms. Included in “Other receivables” are receivables of HK\$1,040,000 (31 December 2021: HK\$515,000) due from the Group’s associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 1 month (<i>Note</i>)	776,568	763,596
1 to 3 months	169,590	103,342
3 to 6 months	160,452	88,074
Over 6 months	209,710	105,924
	<u>1,316,320</u>	<u>1,060,936</u>

Note: As at 31 December 2022, the balance includes government on-grid tariff subsidy receivables of HK\$486,608,000 (2021: HK\$495,747,000) for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to “Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance of the PRC.

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

The Group determines the provision for expected credit losses by grouping together trade 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\$11,933,000 was provided as at 31 December 2022 (31 December 2021: HK\$5,933,000). The increase in the loss allowance was due to the increase in the gross carrying amount of trade and bills receivables as at 31 December 2022.

As at 31 December 2022, other receivables mainly include refundable tender deposits for potential projects (31 December 2021: 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 2022, the impairment was assessed to be HK\$26,956,000 in respect of other receivables (31 December 2021: HK\$18,000,000).

10 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities		
Trade payables (<i>Note</i>)	324,751	261,313
Construction payables	1,385,563	1,115,560
Accruals and other payables	304,413	322,271
	<u>2,014,727</u>	<u>1,699,144</u>

Note: As at 31 December 2022, included in “Trade payables” are payables of HK\$46,481,000 (31 December 2021: HK\$48,223,000) due to the Group’s associate, which are unsecured, interest-free and repayable on credit terms of 10 days after the receipt of VAT invoices.

Accruals and other payables 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 1 month	216,119	202,022
1 to 2 months	38,246	24,694
2 to 3 months	21,038	7,738
Over 3 months	49,348	26,859
	<u>324,751</u>	<u>261,313</u>

11 ASSETS CLASSIFIED AS HELD-FOR-SALE

The assets classified as held-for-sale, which have been presented separately in the consolidated balance sheet, are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets		
Interests in an associate (<i>Note (i)</i>)	1,175	—
Interests in a joint venture (<i>Note (ii)</i>)	30,011	—
	<u>31,186</u>	<u>—</u>

Note:

- (i) The entire interest in Shen County Nanyi New Energy Power Company Limited (formerly known as Shen County Shanghai Industrial Environmental Energy Company Limited) (“Shen County Nanyi”) of HK\$1,175,000 has been reclassified from “Interest in associates and joint ventures” to “Assets classified as held-for-sale” as at 31 December 2022 as the Group intended to recover the carrying amount through sales. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs to sell. No remeasurement loss was recognised for the year ended 31 December 2022 in accordance with the provisions under HKFRS 5. A sale and purchase agreement for the disposal of 20% equity interest in Shen County Nanyi was subsequently entered into in February 2023 at a cash consideration of RMB1,582,000 (equivalent to HK\$1,771,000).

- (ii) In October 2022, the Group entered into a framework agreement for the proposed disposal of its entire 55% equity interest in Hengyang Canvest Environmental Construction Power Company Limited (“Hengyang Canvest”) (a joint venture of the Group), at a cash consideration of RMB31,000,000 (equivalent to HK\$34,705,000). Accordingly, the Group’s entire interests in Hengyang Canvest of HK\$30,011,000 has been reclassified from “Interest in associates and joint ventures” to “Assets classified as held-for-sale” as at 31 December 2022 and was measured at the lower of carrying amount and fair value less costs to sell. No remeasurement loss was recognised for the year ended 31 December 2022 in accordance with the provisions under HKFRS 5. A sale and purchase agreement for this disposal was subsequently entered into in February 2023.

12 DIVIDEND

The Board has proposed the payment of a final dividend of HK4.7 cents per ordinary share for the year ended 31 December 2022 (2021: HK5.8 cents per ordinary share), totalling to HK\$114,658,000 (2021: HK\$141,493,000). 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 (22 March 2023).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Thursday, 15 June 2023, the proposed final dividend are expected to be paid on Monday, 31 July 2023 to shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2022.

During the year ended 31 December 2022, the Company has declared and paid an interim dividend of HK6.2 cents per ordinary share (2021: HK5.0 cents per ordinary share), totalling HK\$151,252,000 (2021: HK\$121,977,000).

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the global market experienced complicated international environment such as geopolitics and interest rate hikes in other regions, and also affected by the COVID-19 epidemic, which affected the economy to a certain extent. Despite these, the PRC government continued with its resolution to introduce environmental policies tailored to “Dual Carbon” goals.

To address the solid waste treatment industry, the PRC government announced the “14th Five-Year Plan for Renewable Energy Development” (《「十四五」可再生能源發展規劃》), and the “14th Five-Year Plan for Ecological Environment Protection” (《生態環境保護「十四五」規劃》) was successively introduced in various provinces and cities during the year, which can formulate the future environmental industry of the PRC. The Group believes that the above policies will prompt a clear development direction for “Zero-Waste Cities”, construction of the circular economy, and the “Dual Carbon” strategic goal, which is conducive to the long-term development of the solid waste treatment industry as the mainstay of environmental protection. However, coupled with diminishing national subsidies for renewable energy and uncertainties in competitive subsidies bidding, the solid waste treatment industry faced the coexistence of opportunities and risks.

After years of development, the solid waste treatment industry entered into a stable phase and shifted from coastal cities to county-level cities, with the governmental focus on small-scale markets in county-level regions. According to the “Guiding Opinions of the National Development and Reform Commission and Other Departments on Strengthening the Construction of Domestic Waste Incineration Facilities in County-level Areas” (《國家發展改革委等部門關於加強縣級地區生活垃圾焚燒處理設施建設的指導意見》) and “Domestic Waste Landfill Pollution Control Standard (Consultation Paper)” (《生活垃圾填埋場污染控制標準(徵求意見稿)》), the PRC government aims to basically form domestic waste classification and treatment in county-level areas across the country in 2025 that are compatible with economic and social development system, by 2030, the supply capacity and level of domestic waste classification and treatment facilities in county-level regions across the country will be further improved, and the domestic waste incineration and treatment capacity in county-level regions across the country will basically meet the processing needs.

In response to the above changes, Canvest continues to promote its strategic extension and expansion, while strategically developing upstream and downstream environmental sanitation and related services with growth potential. It reinforces the industry chain integration of the WTE business with the integrated environmental sanitation and gradually expanding the “Incineration +” business model. Meanwhile, the Group endeavored to expand revenue stream from various channels, such as one-stop services for entrusted operations as well as stream sales.

Leveraging on our market leading position in WTE and environmental sanitation and related service industries, the Group will continue to expand other integrated smart city management services, while actively improving its comprehensive competitive strengths.

For the year ended 31 December 2022 and as at the date of this announcement, despite the COVID-19 epidemic, the production of the Group’s operating projects was not suspended.

OVERALL PERFORMANCE

For the year ended 31 December 2022, the Group's revenue was HK\$8,246.6 million (2021: HK\$6,794.6 million), representing an increase of 21.4% over 2021. Revenue from power sales and waste treatment was HK\$3,486.7 million (2021: HK\$2,997.3 million), representing an increase of 16.3%. The operating profit was HK\$2,056.7 million (2021: HK\$1,862.5 million). Profit attributable to equity holders of the Company was HK\$1,332.8 million (2021: HK\$1,322.0 million), representing an increase of 0.8%. Basic earnings per share was HK54.9 cents (2021: HK54.4 cents).

During the year, the Group's implementation of innocuous treatment of waste volume amounted to 13,993,553 tonnes. The Group generated 5,249,545,000 kWh from green energy, saved 1,381,000 tonnes of standard coal and offset carbon dioxide equivalent emissions by 6,769,000 tonnes.

I. WASTE-TO-ENERGY BUSINESS

Projects and Processing Capacity

As at 31 December 2022 and the date of this announcement, the operating daily MSW processing capacity of 31 projects, reached 41,890 tonnes.

As at 31 December 2022, there are 38 operating, secured and announced projects in our portfolio. Daily MSW processing capacity reached 56,740 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	22	32,790
Western China Region	4	7,000
Eastern China Region	4	7,650
Northern China and Northeast China Regions	5	6,300
Central China Region	1	800
Total	36	54,540

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

		Year ended 31 December	
		2022	2021
Southern China Region	Guangdong Province		
	Processed MSW (<i>tonnes</i>)	8,872,108	7,345,544
	Power generated (<i>MWh</i>)	3,507,326	3,081,187
	Power sold (<i>MWh</i>)	3,042,163	2,680,566
	Guangxi Zhuang Autonomous Region		
	Processed MSW (<i>tonnes</i>)	755,949	830,880
	Power generated (<i>MWh</i>)	295,435	320,904
	Power sold (<i>MWh</i>)	259,788	282,256
	Guizhou Province		
Processed MSW (<i>tonnes</i>)	664,975	450,441	
Power generated (<i>MWh</i>)	241,039	165,157	
Power sold (<i>MWh</i>)	204,864	138,439	
Western China Region	Processed MSW (<i>tonnes</i>)	1,010,223	732,186
	Power generated (<i>MWh</i>)	356,411	260,208
	Power sold (<i>MWh</i>)	303,757	222,738
Eastern China Region	Processed MSW (<i>tonnes</i>)	1,135,664	746,731
	Power generated (<i>MWh</i>)	391,368	250,419
	Power sold (<i>MWh</i>)	332,700	219,195
Northern China and Northeast China Region	Processed MSW (<i>tonnes</i>)	1,242,940	640,202
	Power generated (<i>MWh</i>)	350,997	165,140
	Power sold (<i>MWh</i>)	295,770	137,752
Central China Region	Processed MSW (<i>tonnes</i>)	311,694	327,571
	Power generated (<i>MWh</i>)	106,969	132,451
	Power sold (<i>MWh</i>)	93,006	115,779
Total	Processed MSW (<i>tonnes</i>)	13,993,553	11,073,555
	Power generated (<i>MWh</i>)	5,249,545	4,375,466
	Power sold (<i>MWh</i>)	4,532,048	3,796,725

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

In 2022, 15 WTE plants located in Guangdong Province continued to provide contributions. Huizhou WTE plant is currently under construction.

In June 2022, the Group was conditionally awarded the WTE project located in Huidong County, Guangdong Province. The total daily MSW processing capacity of this WTE project shall be 1,500 tonnes. The project is currently in the planning stage.

4 WTE plants located in Guizhou Province and Guangxi Zhuang Autonomous Region continued to provide contributions in 2022.

In December 2022, the Group was conditionally awarded the WTE project located in Baise City, Guangxi Zhuang Autonomous Region. The total daily MSW processing capacity of this WTE project shall be 1,200 tonnes. The project is currently in the planning stage.

Western China Region

3 WTE plants located in Sichuan Province and Yunnan Province continued to provide contributions in 2022.

The Group holds 30% equity interests of Sichuan SIIC. On 3 August 2022, Sichuan SIIC completed the acquisition of all equity interests in Dazhou Jiajing, which holds a WTE plant, with the total daily MSW processing capacity of 2,000 tonnes, and phase I of this WTE plant commenced trial operation in late 2022. In September 2022, the Group entered into the operations management agreement with Dazhou SIIC, pursuant to which Dazhou SIIC entrusted the Group to manage and operate Dazhou WTE plant.

Eastern China Region

1 WTE plant located in Shandong Province and 1 WTE plant located in Jiangsu Province continued to provide contributions in 2022. Baoshan WTE plant and Taizhou WTE plant commenced trial operation in late 2022.

With the change of the economic factors, the Group's entire equity interest in Shen County WTE project was disposed of in February 2023.

Northern China and Northeast China Region

1 WTE plant located in Hebei Province and 1 WTE plant located in Liaoning Province continued to provide contributions in 2022. Phase 1 of Linfen WTE plant commenced trial operation in 2022. With the change of the economic factors, Hunyuan WTE project is terminated after the negotiation with the local government. Yi County WTE project is currently under construction.

In March 2022, the Group was conditionally awarded the WTE project located in Quyang County, Baoding City, Hebei Province. The total daily MSW processing capacity of this WTE project shall be 1,050 tonnes. The project is currently in the planning stage.

Central China Region

1 WTE plant located in Jiangxi Province continued to provide contributions in 2022. With the change of the economic factors, the Group's entire equity interest in Changning WTE project was disposed of in February 2023.

II. ENVIRONMENTAL HYGIENE AND RELATED SERVICES

For the year ended 31 December 2022, Dongguan Xindongyue processed 160,984 tonnes of solidified fly ash and continued to provide contributions to the Group.

On 3 March 2023, Canvest Yuezhan Solid entered into the waste processing service agreement with Dazhou SIIC, pursuant to which Canvest Yuezhan Solid will transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant, dispose the solidified fly ash generated from Dazhou WTE plant to the landfill and detect and repair impermeable membranes at the landfill for three years.

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 2022, the Group operated 18 integrated environmental sanitation projects and as at the date of this announcement, the Group contracted 5 landfill restoration projects.

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 45,000 parking spaces, covering Guangdong Province, Hebei Province and Anhui Province.

ANALYSIS OF FINANCIAL RESULTS

Revenue

During the year, the Group's revenue reached HK\$8,246.6 million, representing an increase of 21.4% when compared with HK\$6,794.6 million in 2021. Among that, revenue from power sales and waste treatment fees for the year reached HK\$3,486.7 million, representing an increase of 16.3% from 2021. Increase in total revenue was mainly contributed by the increase in power sales and waste treatment fees from operating plants and the construction revenue from the additional projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Revenue from power sales	2,399,495	29.1%	2,119,197	31.2%
Revenue from waste treatment fees	1,087,176	13.2%	878,067	12.9%
Revenue from project construction services	4,360,980	52.9%	3,515,339	51.7%
Finance income from service concession arrangements	171,993	2.0%	114,819	1.7%
Environmental hygiene and other services income	227,001	2.8%	167,149	2.5%
Total	<u>8,246,645</u>	<u>100.0%</u>	<u>6,794,571</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 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Southern China Region	4,622,536	56.1%	4,668,440	68.6%
Central China Region	98,386	1.2%	98,763	1.5%
Western China Region	665,004	8.1%	540,196	8.0%
Northern China and Northeast China Region	1,663,113	20.2%	845,976	12.5%
Eastern China Region	1,197,606	14.4%	641,196	9.4%
Total	<u>8,246,645</u>	<u>100.0%</u>	<u>6,794,571</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.

During the year, cost of sales increased by 22.1% from HK\$4,684.3 million in 2021 to HK\$5,717.6 million in 2022. 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 2022, gross profit of the Group amounted to HK\$2,529.0 million, representing an increase of 19.8% as compared to HK\$2,110.3 million in 2021. The increase in gross profit was mainly attributable to the increase in processing capacity in operation.

The following table sets forth the breakdown of the Group's gross profit by nature for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Power sales and waste treatment operations	1,614,086	63.8%	1,496,538	70.9%
Project construction services	665,000	26.3%	462,927	21.9%
Finance income from service concession arrangements	171,993	6.8%	114,819	5.5%
Environmental hygiene and other services	77,942	3.1%	35,995	1.7%
Total	<u>2,529,021</u>	<u>100.0%</u>	<u>2,110,279</u>	<u>100.0%</u>

Gross profit margin of the Group slightly decreased from 31.1% in 2021 to 30.7% in 2022. The decrease was mainly due to the increase in portion of construction revenue which has lower gross profit margin and the relatively lower gross profit margin from the WTE projects which are under trial operation during the year.

The following table sets forth the Group's gross profit margin by nature for the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	<i>Gross profit margin</i>	<i>Gross profit margin</i>
Power sales and waste treatment operations	46.3%	49.9%
Project construction services	15.2%	13.2%
Finance income from service concession arrangements	100.0%	100.0%
Environmental hygiene and other services	34.3%	21.5%
	<hr/>	<hr/>
Gross profit margin of the Group	<u>30.7%</u>	<u>31.1%</u>

General and Administrative Expenses

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

General and administrative expenses increased by 12.0% from HK\$518.0 million in 2021 to HK\$580.0 million in 2022. It was mainly due to additional WTE projects under operation.

Other Income

Other income mainly consisted of VAT refund, sales of bottom ash and scrap materials, and revenue from non-hazardous waste handling. Other income decreased by 9.2% from HK\$237.8 million in 2021 to HK\$215.9 million in 2022. The decrease was mainly due to decrease in VAT refund since waste treatment income of certain WTE projects was exempted from VAT since March 2022.

Other (Losses)/Gains, net

During the year, the Group recorded other net losses of HK\$108.2 million as compared to other net gains of HK\$32.4 million in 2021. It was mainly due to foreign exchange loss from the significant depreciation of RMB against USD which was recognised in 2022 while foreign exchange gain was recognised in 2021.

Interest Expense, net

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. During the year, net interest expenses increased by 45.7% from HK\$411.6 million in 2021 to HK\$599.8 million in 2022. The increase in net interest expenses was due to finance costs related to certain WTE plants which were no longer eligible for capitalisation after construction works were completed and plants were ready for use and operate, and the significant increase of USD interest rate.

Share of Net Profits of Associates and Joint Ventures

During the year, share of net profits of associates and joint ventures increased by 96.8% from HK\$96.5 million in 2021 to HK\$189.9 million in 2022. It was mainly due to the profit sharing from Machong WTE plant which commenced trial operation in second quarter of 2021.

Income Tax Expense

Income tax expenses increased by 25.9% from HK\$228.2 million in 2021 to HK\$287.4 million in 2022. It was mainly attributable to the 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 0.8% from HK\$1,322.0 million in 2021 to HK\$1,332.8 million in 2022. The growth rate is fall behind the growth rate of the revenue is mainly attributable to the impact from the change of macro environment that foreign exchange loss was recognized from the significant depreciation of RMB against USD and increase in net interest expenses as a result of significant increase of USD interest rate in 2022.

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\$2,206.8 million in cash from operating projects (2021: HK\$1,755.3 million). Net cash prepaid and used for the construction of various WTE plants under BOT arrangements amounted to HK\$2,455.0 million (2021: HK\$4,105.2 million). As a result, the total net cash used in operating activities amounted to HK\$248.2 million during the year (2021: HK\$2,349.9 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2022, the total cash and cash equivalents of the Group were HK\$1,809.9 million (31 December 2021: HK\$1,704.0 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

In 2022, the Group received renewable national subsidies which amounted to HK\$269.1 million.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 31 December 2022, the Group's bank borrowings were HK\$13,582.3 million (31 December 2021: HK\$12,703.9 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 2021: same) and all of them were at floating interest rates (31 December 2021: 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, 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. The proceeds have been fully repaid in November 2022.

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, the proceeds of HK\$390.0 million have been fully utilized for the Group's 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. The proceeds have been fully repaid in November 2022.

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 2022, the proceeds of HK\$150.0 million have been 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.

On 20 April 2022, the Company (as borrower) entered into a facility agreement (the “Facility Agreement IV”) with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$250.0 million for a term of 15 months (which may be further extended for another 15 months) from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK\$250.0 million have been utilized. Pursuant to the Facility Agreement IV, 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 20 April 2022 for further details.

On 25 April 2022, the Company (as borrower) entered into a facility agreement (the “Facility Agreement V”) with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$150.0 million for a term of 18 months from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK\$150.0 million have been utilized. Pursuant to the Facility Agreement V, 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 25 April 2022 for further details.

On 30 August 2022, the Company (as borrower) entered into a facility agreement (the “Facility Agreement VI”) with certain financial institutions pursuant to which a term loan facility in the aggregate amount of HK\$2,891.0 million (with incremental facilities of up to a further HK\$200.0 million) for a term of 36 months from the date of first utilisation has been granted to the Company. As at 31 December 2022, this facility of HK\$2,891.0 million has been utilized. Pursuant to the Facility Agreement VI, 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 30 August 2022 for further details.

On 16 September 2022, the Company (as borrower) entered into a facility agreement (the “Facility Agreement VII”) with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$300.0 million for a term of 36 months from the date of first utilisation has been granted to the Company. As at the date of this announcement, this facility has been utilized. Pursuant to the Facility Agreement VII, 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 16 September 2022 for further details.

Net assets of the Group was HK\$9,003.9 million (31 December 2021: HK\$8,885.9 million). The increase in net assets was mainly attributable to the profit generated during the year.

The following table sets forth the analysis of the Group's borrowings as at 31 December 2022 and 2021:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Portion of term loans due for repayment after one year		
— secured	11,838,520	11,279,473
Portion of term loans due for repayment within one year		
— secured	1,444,642	1,284,402
Revolving loans due for repayment within one year		
— unsecured	299,167	140,000
	<u>13,582,329</u>	<u>12,703,875</u>
Total bank borrowings	13,582,329	12,703,875

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2022, the gearing ratio was 65.1% (31 December 2021: 63.6%).

As at 31 December 2022, the Group had banking facilities in the amount of HK\$16,273.8 million, of which HK\$2,640.4 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 2022, the total cost of borrowings of the Group was HK\$628.0 million (2021: HK\$491.7 million), representing an increase of HK\$136.3 million. The increase was due to finance costs related to certain WTE plants which were no longer eligible for capitalisation after construction works were completed and plants were ready for use and operate, and the significant increase of USD interest rate. Effective interest rate ranged from 1.37% to 6.75% for the year ended 31 December 2022 (2021: 1.43% to 5.39%).

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 2022, the Group's capital commitments in relation to construction cost for concession rights, which were authorised but not contracted for, amounted to HK\$1,470.6 million (31 December 2021: HK\$2,304.4 million). Its capital commitment contracted for but not yet provided for in the consolidated financial statement in relation to construction cost for concession rights amounted to HK\$1,765.9 million (31 December 2021: HK\$4,507.3 million), and in relation to the capital injection to associates and joint ventures amounted to HK\$201.2 million (31 December 2021: HK\$204.0 million).

Pledging of Shares by Controlling Shareholders

As at 31 December 2022, the Controlling Shareholders have not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

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

On 23 February 2022, the Group acquired 29.56% equity interests of Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") through public auction with a total consideration of RMB15.4 million (equivalent to HK\$19.0 million). Upon the completion of the acquisition, the Group owns 80.56% equity interests in Zaozhuang Zhongke.

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 2022. 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 2022, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$3,904.8 million (2021: HK\$3,405.8 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\$783.7 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 2022, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK\$36.2 million) for bank loans of Dongguan Xindongqing (31 December 2021: RMB32.3 million (equivalent to HK\$39.5 million)).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 31 December 2022, the Group provided a corporate guarantee of RMB90.0 million (equivalent to HK\$100.8 million) for bank loans of Zhongzhou Environmental (31 December 2021: RMB90.0 million (equivalent to HK\$110.1 million)).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2022.

Pledge of Assets

As at 31 December 2022, the Group pledged certain of its rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, right-of-use assets, intangible assets and restricted deposits (31 December 2021: same) with an aggregate carrying amount of HK\$13,786.5 million (31 December 2021: HK\$12,940.5 million) to certain banks to secure certain credit facilities granted to the Group.

Continuing Connected Transactions

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 previous leasing framework agreement (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. The rent paid by the Group to Yue Xing for the period from 1 January 2022 to 6 February 2022 was HK\$0.7 million (for the year ended 31 December 2021: HK\$7.9 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 a leasing framework agreement (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. For the period from 7 February 2022 to 31 December 2022, the rent paid by the Group to Sanyang was HK\$8.8 million (for the year ended 31 December 2021: nil).

On 7 February 2022, the Company and Canvest ECT entered into a monitoring and audit services agreement (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. For the year ended 31 December 2022, service fee amounted to HK\$3.5 million (2021: nil).

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 plant. 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. For the year ended 31 December 2022, the management service income amounted to HK\$30.1 million (2021: nil).

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.

TAX RELIEF AND EXEMPTION

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

Human Resources

As at 31 December 2022, the Group employed a total of 4,762 employees, 82 of them were at management level. By geographical locations, it had 4,736 employees in the PRC and 26 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). 2,500,000 share options remained outstanding as at 31 December 2022. Total remuneration costs, including Directors’ remuneration, for the year were HK\$615.4 million (2021: HK\$489.0 million).

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

Financial Assistance and Guarantees to Affiliated Companies by the Company

As at 31 December 2022, the Company had not provided any financial assistance and guarantees to affiliated companies which is subject to disclosure requirement under Rule 13.22 of the Listing Rules.

Advance to an Entity Provided by the Company

As at 31 December 2022, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

Events After Balance Sheet Date

- (i) On 13 February 2023, the Group entered into an equity transfer agreement with Shanghai Nanyi Environmental Technology Company Limited (上海南一環保科技有限公司), pursuant to which the Group agreed to dispose of 20% equity interest in Shen County Nanyi New Energy Power Company Limited (莘縣南一新能源發電有限公司), which owns the concession right to operate a WTE project in Circular Economy Industrial Park in Shen County, Shandong Province, at a consideration of RMB1.6 million (equivalent to HK\$1.8 million).
- (ii) On 14 February 2023, the Group entered into an equity transfer agreement with Beijing Zhongke Runyu Environmental Technology Company Limited (北京中科潤宇環保科技有限公司), pursuant to which the Group agreed to dispose of 55% equity interest in Hengyang Canvest Environmental Construction Power Company Limited (衡陽粵豐環建電力有限公司), which owns the concession right to operate a WTE plant in Changning City, Hunan Province, at a consideration of RMB31.0 million (equivalent to HK\$34.7 million).
- (iii) The Group holds 30% equity interest in Sichuan SIIC. In February 2023, the Group provided a corporate guarantee of RMB60.0 million for bank loan obtained by Sichuan SIIC.

Changes since 31 December 2022

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 2022.

Dividends

During the year, the Company declared an interim dividend of HK6.2 cents per ordinary share (2021: HK5.0 cents). The Board has proposed the payment of a final dividend of HK4.7 cents (2021: HK5.8 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the annual general meeting (“AGM”) of the Company to be held on Thursday, 15 June 2023, the proposed final dividend is expected to be paid on Monday, 31 July 2023 to Shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023.

Closure of Register of Members

To determine the identity of Shareholders who are entitled to attend and vote at the 2023 AGM

Latest time for lodging transfer documents of shares	: 4:30 p.m. on Friday, 9 June 2023
Period of closure of register of members	: Monday, 12 June 2023 to Thursday, 15 June 2023 (both dates inclusive)

To determine the shareholders’ entitlement to the final dividend

Ex-entitlement date for final dividend	: Monday, 19 June 2023
Latest time for lodging transfer documents of shares	: 4:30 p.m. on Tuesday, 20 June 2023
Period of closure of register of members	: Wednesday, 21 June 2023 to Monday, 26 June 2023 (both dates inclusive)
Record date	: Monday, 26 June 2023

To qualify for attending and voting at the 2023 AGM and/or entitlement to the final dividend, all properly completed transfer forms accompanied by the Share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of Shares.

Annual General Meeting

The 2023 AGM will be held on Thursday, 15 June 2023. Notice of the 2023 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

Public Float

Based on the information that is available to the Company and to the best knowledge and belief of the Directors, they confirm that the Company has maintained at least 25% of the Company’s total issued share capital held by the public for the year ended 31 December 2022 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 2022, 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 2022 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 2022, the Company has complied with the code provisions set out in the CG Code.

Model Code for Securities Transactions by Directors

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the year ended 31 December 2022.

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 2022.

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 2022 containing all the information required under the Listing Rules will be dispatched to the Company's Shareholders and will be posted on the above websites in due course.

Board of Directors

As at the date of this announcement, the board comprises Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man, Mr. Yuan Guozhen and Mr. Lai Chun Tung, as executive Directors; Mr. Feng Jun 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 2023

GLOSSARY

Baoshan WTE plant	the WTE plant located in Baoshan District, Shanghai municipality and owned by SIIC Baojingang
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 ultimately controlled as to 49% by Mr. Lai Chun Tung and 51% by Mr. Guo Huiqiang** (郭惠強), an associate of Mr. Lai Chun Tung, respectively
Canvest Yuezhan Solid	Canvest Yuezhan Solid Waste Treatment Technology (Guangdong) Company Limited (粵豐粵展固體廢物處理科技(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Changning	Hengyang Canvest Environmental Construction Power Company Limited** (衡陽粵豐環建電力有限公司), a company incorporated in the PRC with limited liability and the Group holds 55% equity interest of it as at 31 December 2022

China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
Dazhou Jiaping	Dazhou Jiaping Environment Renewable Resource Company Limited** (達州佳境環保再生資源有限公司), a company incorporated in the PRC with limited liability and Sichuan SIIC holds 100% equity interest of it
Dazhou SIIC	Dazhou SIIC Environment Protection Co., Ltd** (達州上實環保有限公司), a company incorporated in the PRC with limited liability, is an indirect non-wholly owned subsidiary of Sichuan SIIC, and is principally engaged in the operation of the Dazhou WTE plant
Director(s)	director(s) of the Company
Dongguan Xindongqing	Dongguan Xindongqing Environmental Investment Company Limited** (東莞市新東清環保投資有限公司), a company incorporated in the PRC with limited liability and Dongguan Xindongyuan holds 30% equity interest of it
Dongguan Xindongyuan or Machong	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company incorporated in the PRC with limited liability and the Group holds 49% equity interest of it
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞市新東粵環保實業有限公司), a company incorporated in the PRC with limited liability and the Group holds 35% equity interest of it
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates
Jianyang or Jianyang Canvest	Jianyang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it
Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955) and the Group holds 30.75% equity interest of it
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited** (粵豐科維環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
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
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 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
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
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
Share Award Scheme	the share award scheme of the Company adopted by the Board on 3 May 2019 in accordance with the rules relating to the said scheme as amended from time-to-time
Share(s)	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
Shen County	Shen County Nanyi New Energy Power Company Limited (formerly known as “Shen County Shanghai Industrial Environmental Energy Company Limited”)** (莘縣南一新能源發電有限公司) (formerly known as “莘縣上實環保能源有限公司”), a company incorporated in the PRC with limited liability and the Group holds 20% equity interest of it as at 31 December 2022
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

Strategy and Sustainability Committee	the strategy and sustainability committee established by the Board on 25 January 2022 and chaired by Mr. Lai Chun Tung, an executive Director
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 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
Taizhou	Taizhou Canvest Environmental Power Company Limited** (泰州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
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars or USD	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
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 of the Company, and his associate
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** (惠州市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*