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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

	For the six months ended 30 June		Change
	2021	2020	
Financial Highlights			
Revenue (HK\$'000)	2,695,248	2,005,738	+34.4%
Included: Revenue from power sales and waste treatment (HK\$'000)	1,357,999	941,174	+44.3%
Gross profit (HK\$'000)	968,978	678,283	+42.9%
EBITDA (HK\$'000)	1,202,079	877,435	+37.0%
Profit for the period (HK\$'000)	619,670	452,407	+37.0%
Profit attributable to equity holders of the Company (HK\$'000)	616,091	451,688	+36.4%
Basic earnings per share (HK cents)	25.4	18.6	+36.6%
Interim dividend per share (HK cents)	5.0	3.7	+35.1%
Cash generated from operating projects (HK\$'000) ⁽¹⁾	660,053	518,468	+27.3%

Note:

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

Operational Highlights

- During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 4,624,000 tonnes. The Group generated 1,794,152,000 kWh from green energy, saved 466,000 tonnes of standard coal and offset 2,608,000 tonnes of carbon dioxide equivalent emissions⁽¹⁾.
- Phase 1 of Yingkou WTE plant, phase 1 of Ruili WTE plant, Mancheng WTE plant, Machong WTE plant and Qingyuan WTE plant commenced trial operation during the period under review.
- In January 2021, the Group was awarded the concession rights of Changning WTE project (with a total daily MSW processing capacity of 1,000 tonnes). In February 2021, the Group was awarded the concession rights of Huizhou WTE project (with a total daily MSW processing capacity of 1,000 tonnes). In July 2021, the Group was awarded the concession rights of Yi County WTE project (with a total daily MSW processing capacity of 800 tonnes).
- In January 2021, Sichuan Jiajieyuan was awarded a MSW transportation contract in Xinyi City, Guangdong Province.
- In August 2021, the Group obtained a term loan facility of HK\$150 million from a financial institution.

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2021. The condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's independent auditor, PricewaterhouseCoopers.

Note:

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

CHAIRLADY’S STATEMENT

TO ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the six months ended 30 June 2021 (the “Period”).

The 14th Five-Year Plan in 2021 has dedicated a new chapter and continues to recognise the importance of environmental protection proposed by the country under the 13th Five-Year Plan. In March 2021, China incorporated climate change mitigation into the 14th Five-Year Plan, and therefore crafted the 2030 “Carbon Peaking” Action Plan, with its proactive commitments to achieving the targets set under the 2060 “Carbon Neutrality”. While controlling the growth of total energy consumption and improving the dual control system for energy consumption, the Chinese government specifically focuses on controlling fossil energy consumption alongside its continued support to green industries. Furthermore, new objectives are set for the clean energy development with the emphasis on resource conservation and environmental protection. With the industry structure adjusted and optimized, the government vigorously pushes forward with the development of new and renewable energy, leads the industries forward in promoting clean, low-carbon, safe and efficient use of energy, and deepens the low-carbon transformation in the industry, construction, transportation, and other sectors.

As one of leading companies of the environmental and renewable energy industry, the Group commits to advancing the sustainable development of WTE industry while prioritizing environmental protection issues. In pursuit of the refined and high-standard operational management that aims to build quality projects, the Group remains committed to developing WTE, and providing smart city hygiene management and related businesses.

In maintaining close collaboration with various strategic partners during the Period, the Group expanded collaborative resources for various projects, and extended its business vertically and horizontally, including extending the upstream and downstream of the industry chain, increasing the proportion of light asset business, and exploring the potency of carbon asset income. These actions enabled the Group to fully grasp the opportunities from the market development in the midst of its stable and positive business growth.

FINANCIAL PERFORMANCE

In the first half of 2021, the Group’s revenue was HK\$2,695.2 million, and the profit attributable to equity holders of the Company increased by 36.4% year-on-year to HK\$616.1 million. The increase was mainly attributable to revenue from power sales and waste treatment fee which brought by the increase in operating capacity, as well as revenue from project construction services from new projects.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board has proposed the declaration of an interim dividend of HK5.0 cents per ordinary share for the six months ended 30 June 2021 (corresponding period of 2020: HK3.7 cents).

BUSINESS REVIEW

With the pandemic conditions in China stabilizing and remaining under control in the first half of 2021, as well as due to the diligence and relentless efforts of our employees as a whole, the Group managed to complete and commence production of new projects as scheduled, thereby resulting in a solid and strong operating cash inflow. Gross profit increased by 42.9%, as project effectiveness and operational capacity continued their improvement and optimization.

As at the date of this announcement, the Group had 35 WTE projects with total daily MSW processing capacity of 51,940 tonnes, of which 23 projects were put into operation, and the remaining 12 projects were under construction or were planning according to schedule. During the Period, the Group was awarded the concession rights in relation to the Changning WTE project and the Huizhou WTE project. Subsequently, the Group acquired the concession right in relation to the Yi County WTE project, further expanding its market share and deepening its nationwide strategic deployment.

Apart from new projects, the Group also maintained close cooperation with various strategic partnership to further strengthen the Group's competitiveness and market leadership. In addition to the joint development of the Baoshan WTE plant in the Yangtze River Delta region with SIHL, on 10 June 2021, the Group acquired a 30% equity interest in Sichuan SIIC Environmental Investment Development ("Sichuan SIIC") to capture the development opportunities arising from the solid waste treatment market in Sichuan Province and to acquire other solid waste treatment companies in the future, which further demonstrates the strong strategic partnership between the Group and SIHL.

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

The Group committed to striving for and contributing to the improvement in its environmental, social and economic aspects under its sustainable operation policy. The Group remained a staunch supporter for the United Nations Sustainable Development Goals (SDGs) by taking practical actions to incorporate these goals into our business strategy. To foster a good corporate image, the Group encouraged our employees to support and participate in community and charity activities.

In the first half of 2021, the Group innocuously treated 4,624,000 tonnes of waste, generated 1,794,152,000 kWh of green energy, offset carbon dioxide equivalent emissions by 2,608,000 tonnes and saved 466,000 tonnes of standard coal.

The Group has been recognized for its commitments to promoting sustainable development and investor communications. Besides being listed in the 2021 Top 50 Environmental Protection Enterprises in China, the Group was ranked among the top “Honoured Companies” in the power sector of the “2021 All-Asia Executive Team” small and mid-cap company ranking compiled by the international authoritative financial magazine Institutional Investor. At the ESG Achievement Awards 2020 organized by the Institute of ESG & Benchmark, the Group was also amended the “Special ESG Awards — The Outstanding ESG Performer of the Year (Platinum)” and “The Outstanding ESG Company — Criteria Set by Fund Managers (Platinum)”. These awards fully endorse the Group’s outstanding performance in both corporate management and environmental, social and governance (ESG), representing great encouragement and inspiration to the Company, its management team and employees.

OUTLOOK

The Chinese government attaches great importance to the concept of “Carbon Neutrality and Carbon Peaking”. President Xi Jinping has announced that China will adopt more vigorous policies and measures to peak carbon dioxide emissions by 2030, strive to achieve carbon neutrality by 2060, and vigorously promote new energy and green industries. As a leading integrated environmental protection and sanitation solution provider adhering to high operating and environmental standards, the Group welcomes relevant environmental policies formulated by the pragmatic and determined government, which facilitates the healthy and long-term development of the environmental industry.

The Central Government published the “14th Five-Year Plan for the Development of Municipal Solid Waste Sorting and Treatment Facilities” in May 2021, and proposed specific targets of national municipal solid waste incineration capacity by the end of 2025. It is estimated that during the 14th Five-Year Plan, the newly added waste incineration capacity will exceed 200,000 tonnes, and the proportion of municipal solid waste incineration capacity will be increased by approximately 15%, as the market will gradually embrace an era of refined management and operation. The Group will closely follow the national policies and work closely with local governments to advance the development of WTE industry.

Major economies have been slowly getting out of the difficulties arising from COVID-19 epidemic with their orderly recovery. The Group will continue to focus on developing high quality projects and high standard operations as well as utilize the synergistic effects created by strategic partnership to capture market opportunities and achieve steady growth.

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

Whilst striving for its business expansion, the Group will also enhance its ESG standards across the board, and take ESG practices into consideration as a key indicator for future performance assessment, so as to realize the overall development of business, social and environmental values. The Group will continue to promote sustainable development and implement relevant strategies through the Strategy and Sustainability Implementation Taskforce. In the future, we will further strengthen our active communications with different stakeholders on all fronts, and facilitate the formulation of appropriate development strategies by taking into consideration their various opinions.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, business partners and stakeholders for their continued and unfailing support, and to our staff members for their dedication and hard work. Canvest is committed to its corporate philosophy to “unite as one, work meticulously and strive for excellence” to achieve sustainable growth and bring greater values for all of our stakeholders.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 24 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	2,695,248	2,005,738
Cost of sales	4	<u>(1,726,270)</u>	<u>(1,327,455)</u>
Gross profit		968,978	678,283
General and administrative expenses	4	(217,970)	(121,208)
Other income	5	112,609	85,360
Other gains/(losses), net	6	<u>16,843</u>	<u>(13,384)</u>
Operating profit		880,460	629,051
Interest income	7	6,823	4,725
Interest expense	7	<u>(178,545)</u>	<u>(148,143)</u>
Interest expense, net		(171,722)	(143,418)
Share of net profits of associates and a joint venture		<u>33,152</u>	<u>47,177</u>
Profit before income tax		741,890	532,810
Income tax expense	8	<u>(122,220)</u>	<u>(80,403)</u>
Profit for the period		<u>619,670</u>	<u>452,407</u>
Attributable to:			
Equity holders of the Company		616,091	451,688
Non-controlling interests		<u>3,579</u>	<u>719</u>
		<u>619,670</u>	<u>452,407</u>
Earnings per share			
— basic (<i>expressed in HK cents per share</i>)	9(a)	<u>25.4</u>	<u>18.6</u>
— diluted (<i>expressed in HK cents per share</i>)	9(b)	<u>25.4</u>	<u>18.6</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	619,670	452,407
Other comprehensive income/(loss), net of tax:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	103,052	(119,809)
Release of exchange differences upon disposal of a subsidiary	(336)	—
Other comprehensive income/(loss) for the period, net of tax	102,716	(119,809)
Total comprehensive income for the period	722,386	332,598
Attributable to:		
Equity holders of the Company	711,103	340,449
Non-controlling interests	11,283	(7,851)
	722,386	332,598

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
<i>Note</i>		
ASSETS		
Non-current assets		
Right-of-use assets	174,274	165,363
Property, plant and equipment	1,311,700	1,313,342
Intangible assets	11,536,700	10,498,427
Interests in associates and a joint venture	1,264,762	1,184,971
Deferred tax asset	—	4,045
Long-term deposits and prepayments	11 1,853,088	650,389
Receivables under service concession arrangements	1,968,372	1,836,244
	<u>18,108,896</u>	<u>15,652,781</u>
Current assets		
Inventories	20,479	15,353
Other receivables, deposits and prepayments	11 806,777	674,631
Receivables under service concession arrangements	168,021	164,189
Trade and bills receivables	11 936,210	699,031
Restricted deposits	42,427	46,252
Cash and cash equivalents	1,926,851	1,769,598
	<u>3,900,765</u>	<u>3,369,054</u>
Total assets	<u><u>22,009,661</u></u>	<u><u>19,021,835</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	24,395	24,395
Share premium	2,640,551	2,640,551
Other reserves	1,184,540	1,027,163
Retained earnings	3,876,685	3,442,497
	<u>7,726,171</u>	<u>7,134,606</u>
Non-controlling interests	331,816	284,815
Total equity	<u><u>8,057,987</u></u>	<u><u>7,419,421</u></u>

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Bank borrowings		10,354,005	8,357,650
Lease liabilities		6,017	—
Deferred income tax liabilities		782,071	728,722
Deferred government grants		200,411	202,505
Other non-current liabilities		8,532	6,864
		<u>11,351,036</u>	<u>9,295,741</u>
Current liabilities			
Trade and other payables	12	1,604,150	1,418,584
Current income tax liabilities		58,943	55,659
Bank borrowings		922,306	822,634
Lease liabilities		6,416	1,073
Deferred government grants		8,823	8,723
		<u>2,600,638</u>	<u>2,306,673</u>
Total liabilities		<u>13,951,674</u>	<u>11,602,414</u>
Total equity and liabilities		<u>22,009,661</u>	<u>19,021,835</u>
Net current assets		<u>1,300,127</u>	<u>1,062,381</u>
Total assets less current liabilities		<u>19,409,023</u>	<u>16,715,162</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Significant events and transactions

(a) Award of concession rights

- In January 2021, the Group has entered into an agreement in relation to the waste-to-energy (“WTE”) project located in Changning City, Hunan Province with Urban Management and Law Enforcement Bureau of Changning City. The total daily municipal solid waste (“MSW”) processing capacity of this WTE plant is 1,000 tonnes.
- In February 2021, the Group was conditionally awarded the WTE project located in Huizhou City, Guangdong Province. The total daily MSW processing capacity of this WTE plant is 1,000 tonnes.

(b) Acquisition of subsidiaries and assets

- In January 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interests in Anhui Xinlibo Car Park Management Services Company Limited (“Xinlibo”) at a consideration of RMB300,000 (equivalent to HK\$359,000). Xinlibo owns the management rights of certain carparks located in Tongling City, Anhui Province. The transaction was completed in February 2021.
- In March 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interests of Yanxin Smart Parking (Shenzhen) Company Limited (“Yanxin”) at a consideration of RMB6,100,000 (equivalent to HK\$7,331,000). Yanxin owns the management rights of certain carparks located in Yu County, Hebei Province. The transaction has not been completed as at 30 June 2021.
- In May 2021, the Group entered into an equity transfer agreement with a vendor, a close family member of the Group’s key management personnel, to acquire the entire equity interest of Dongguan City Kaixiang Network Technology Company Limited (“Kaixiang Network”) at a total consideration of RMB21,700,000 (equivalent to HK\$26,450,000). Kaixiang Network owns the management right of certain carparks located in Dongguan City, Guangdong Province. The transaction was completed in May 2021.
- On 30 June 2021, the Group entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital and shareholder’s loan of two companies (“Target Companies”) at a total consideration of HK\$250,000,000 with adjustments. The Target Companies are investment holding companies, which hold two commercial properties, a rooftop and two carpark spaces in Hong Kong. The transaction has not been completed as at 30 June 2021.

(c) Disposal of a subsidiary with loss of control

On 18 December 2020, the Group entered into an equity transfer agreement with Guangdong Deji Environment Development Company Limited (廣東德濟環境發展有限公司), pursuant to which the Group agreed to dispose of 59.5% equity interest in Canvest Guoye Environmental Investment (Guangdong) Company Limited (粵豐國業環保投資(廣東)有限公司) (“Canvest Guoye”) at a consideration of RMB30,235,000 (including reimbursements) (equivalent to HK\$36,336,000). Canvest Guoye owns a concession right to construct a plant to process industrial waste at Jieyang Dananhai Petrochemical Industrial Park, Jieyang City, Guangdong Province. In June 2021, the control was transferred and Canvest Guoye ceased to be a subsidiary of the Group. Upon the completion of the disposal, the Group retained 25.5% equity interests in Canvest Guoye and the interests are classified as “interests in associates”. Canvest Guoye has not commenced operation on the date of control transferred.

(d) Prevention and control measures against COVID-19

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In the meantime, the Group has implemented precautionary and control measures in all projects to fight against this disease and safeguard its employees and business operations. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the condensed consolidated interim financial information as a result of this disease.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements, except for the estimation of income tax, accounting for changes in ownership interests in subsidiaries with loss of control, accounting for research and development cost and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Changes in ownership interests in subsidiaries with loss of control

When the Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as “interests in an associate”. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss, as part of the gain or loss on sale.

Research and development costs

All research costs are expensed when incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate probable future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Capitalised development costs are recorded as intangible assets and stated at cost less accumulated amortisation and impairment losses and are amortised from the point at which the asset is ready for use.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 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 six months ended 30 June 2021, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2020: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China ("PRC"). All of the Group's revenue is generated in the PRC and most of its non-current assets are located in the PRC for the six months ended 30 June 2021 (2020: same).

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Revenue from power sales	956,133	673,143
Waste treatment fee	401,866	268,031
Revenue from project construction services	1,210,827	962,350
Finance income from service concession arrangements	57,861	46,908
Environmental hygiene and other services income	68,561	55,306
	<u>2,695,248</u>	<u>2,005,738</u>

For the six months ended 30 June 2021, the Group had transactions with one (for the six months ended 30 June 2020: one) customer which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$414,913,000 was derived from the largest customer for the six months ended 30 June 2021, while revenue of approximately HK\$369,011,000 was derived from the largest customer for the six months ended 30 June 2020.

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Maintenance cost	106,741	74,430
Environmental protection expenses	134,576	115,919
Research and development costs	3,793	31
Impairment of trade receivables	3,507	—
Impairment of other receivables	18,000	—
Remuneration to the Company's auditor		
— Audit services	1,500	1,500
Remuneration to other auditors		
— Audit services	842	351
— Non-audit services	9	101
Employee benefit expenses	210,535	158,694
Depreciation and amortisation		
— Property, plant and equipment	68,182	62,893
— Intangible assets	207,803	128,556
— Right-of-use assets	5,659	5,033
Other lease expenses*	5,291	4,685
Construction cost recognised for project construction services (included in cost of sales)	<u>1,011,622</u>	<u>801,958</u>

* These expenses relate 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.

5 OTHER INCOME

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Value-added tax ("VAT") refund (<i>Note (i)</i>)	69,970	63,533
Revenue from non-hazardous waste handling service	24,677	—
Sales of bottom ash	9,010	7,144
Amortisation of deferred government grants (<i>Note (ii)</i>)	4,366	4,057
Government subsidies (<i>Note (iii)</i>)	895	3,814
Others	<u>3,691</u>	<u>6,812</u>
	<u>112,609</u>	<u>85,360</u>

Note:

- (i) The amount represents the Group's entitlement to a VAT refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the VAT on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

- (ii) Government grants recognised were related to the construction of infrastructure under service concession arrangements. There were no unfulfilled conditions and other contingencies attached to the receipts of these grants.
- (iii) The amount represents the Group's entitlement to VAT relief in accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19 and cash subsidies received from certain PRC government authorities as support to the growth of enterprises and stabilising employment. There were no unfulfilled conditions and other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.

6 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of a subsidiary	1,846	—
Loss on disposal of property, plant and equipment	(5)	(889)
Exchange gains/(losses), net	<u>15,002</u>	<u>(12,495)</u>
	<u>16,843</u>	<u>(13,384)</u>

7 INTEREST INCOME AND EXPENSE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank borrowings	(230,150)	(181,617)
Interest expense on lease liabilities	(24)	(138)
Less: amount capitalised on qualifying assets	<u>51,629</u>	<u>33,612</u>
	(178,545)	(148,143)
Interest income from bank deposits	4,340	2,130
Interest income from an associate	<u>2,483</u>	<u>2,595</u>
	(171,722)	(143,418)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current income tax		
PRC enterprise income tax (“EIT”)	75,821	40,778
Hong Kong profits tax	975	—
	<u>76,796</u>	<u>40,778</u>
Total current income tax	76,796	40,778
Deferred income tax	45,424	39,625
	<u>122,220</u>	<u>80,403</u>
Income tax expense	<u>122,220</u>	<u>80,403</u>

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

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the six months ended 30 June 2021 and 2020 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax incentive that the project would be fully exempted from the PRC EIT for three years starting from the tax year in which the project recorded its first operating revenue, followed by a 50% tax reduction for the ensuing three years. Besides, certain PRC subsidiaries were entitled to a concessionary tax rate of 15% under the PRC’s “Great Western Expansion” policy.

Subsidiaries	Applicable tax rate Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Dongguan China Scivest Environmental Power Company Limited — phase 2 of its project	12.5%	0%
Dongguan Eco-Tech Environmental Power Company Limited — phase 1 of its project	25%	12.5%
— phase 2 of its project	12.5%	12.5%
Zhanjiang Canvest Environmental Power Company Limited	12.5%	12.5%
Qianxinan Canvest Environmental Power Company Limited (formerly known as “Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited”)		
— phase 1 of its project	15%	12.5%
— phase 2 of its project	7.5%	12.5%
Laibin Canvest Environmental Power Company Limited	7.5%	12.5%

Subsidiaries	Applicable tax rate	
	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Zhongshan City Guangye Longcheng Environmental Company Limited — phase 1 of its project	12.5%	12.5%
Beiliu Canvest Environmental Power Company Limited	7.5%	0%
Lufeng Canvest Environmental Power Company Limited	12.5%	0%
Xinfeng Canvest Environmental Power Company Limited	0%	0%
Xinyi Canvest Environmental Power Company Limited	0%	0%
Maoming Canvest Environmental Power Company Limited	0%	0%
Zaozhuang Zhongke Environmental Energy Company Limited	0%	0%
Zaozhuang Canvest Environmental Company Limited	0%	25%
Shaoguan Canvest Environmental Power Company Limited	0%	25%
Xuwen Canvest Environmental Power Company Limited	0%	25%
Dehong Canvest Environmental Power Company Limited	0%	25%
Yingkou Canvest Power Environmental Company Limited	0%	25%
Baoding Canvest Kewei Environmental Power Company Limited	0%	25%
Qingyuan City Zhongtian New Energy Company Limited	0%	25%

9 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, excluding treasury shares and shares held under Share Award Scheme, during the period.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	616,091	451,688
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	2,429,441	2,429,441
Basic earnings per share (<i>HK cents</i>)	25.4	18.6

(b) Diluted

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

The Company has one category of dilutive potential ordinary share: share options (2020: same). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2021 and 2020 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK5.0 cents per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK3.7 cents per ordinary share), payable on Monday, 18 October 2021 to shareholders whose names appear on the register of members of the Company on Friday, 17 September 2021. The interim dividend, amounting to HK\$121,977,000 (six months ended 30 June 2020: HK\$90,264,000), has not been recognised as a dividend payable in the condensed consolidated interim financial information. The amount of interim dividend declared for the six months ended 30 June 2021 was calculated based on the number of ordinary shares in issue at the date of this announcement (i.e. 24 August 2021).

The final dividend of HK4.9 cents per ordinary share for the year ended 31 December 2020 (for the year ended 31 December 2019: HK4.1 cents per ordinary share) has been approved by the shareholders at the annual general meeting of the Company held on Friday, 18 June 2021, and was subsequently paid on Friday, 16 July 2021. The final dividends for the year ended 31 December 2020, amounting to HK\$119,538,000, have been recognised as dividends payable as at 30 June 2021.

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Non-current assets		
Deposits	31,403	—
Prepayments for property, plant and equipment and concession rights	1,820,035	648,373
Other prepayments	1,650	2,016
	<u>1,853,088</u>	<u>650,389</u>
Current assets		
Trade and bills receivables		
— Bills receivable	4,831	4,532
— Trade receivables	934,886	694,499
— Less: Impairment of trade receivables	(3,507)	—
	<u>936,210</u>	<u>699,031</u>
Other receivables, deposits and prepayments		
— Deposits and prepayments	93,706	53,918
— Other receivables (<i>Note</i>)	270,836	237,801
— VAT recoverable	460,235	382,912
— Less: Impairment of other receivables	(18,000)	—
	<u>1,742,987</u>	<u>1,373,662</u>
	<u><u>3,596,075</u></u>	<u><u>2,024,051</u></u>

Note: In 2019, the Group has entered into an agreement with an entity which is ultimately controlled by the Shanghai municipal government (“Entity”). Pursuant to the terms of the agreement, this Entity shall reimburse the sum paid by the Group for obtaining the shares of Shanghai Shengong Environmental Protection Engineering Co., Ltd. (上海神工環保股份有限公司) and Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited (上海寶山神工生活廢物處置有限公司). As at 30 June 2021, related payments of RMB105,443,000 (equivalent to HK\$126,721,000) (31 December 2020: RMB105,013,000 (equivalent to HK\$124,776,000)) was paid by the Group and was recorded in “Other receivables”.

As at 30 June 2021, included in “Other receivables” are receivable of HK\$2,638,000 (31 December 2020: Nil) due from the Group’s associate, which are unsecured, interest-free and repayable quarterly and receivable of HK\$433,000 (31 December 2020: HK\$935,000) due from the Group’s associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms.

Other than balance mentioned above, as at 30 June 2021, the balance mainly include refundable tender deposits for potential projects and VAT refund (31 December 2020: same).

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\$3,507,000 was provided as at 30 June 2021, while the impairment allowance was assessed to be minimal as at 31 December 2020.

The expected credit loss of receivables from power sales is close to zero as there were no history of default with the grid companies in the past and Renewable National Subsidies is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance of the PRC.

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

The ageing analysis of trade receivables, net of impairment, as at the end of the reporting period, based on invoice date, is as follows:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Up to 1 month	465,391	365,917
1 to 3 months	127,384	96,409
3 to 6 months	49,820	32,984
Over 6 months	93,965	40,809
	736,560	536,119
Unbilled receivables (<i>Note</i>)	194,819	158,380
	931,379	694,499

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects pursuant to Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies (關於開展可再生能源發電補貼項目清單審核有關工作的通知) announced by the Ministry of Finance of the PRC.

If there has 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 30 June 2021, the impairment was assessed to be HK\$18,000,000 in respect of other receivables, while the provision for impairment was assessed to be minimal as at 31 December 2020.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables (<i>Note (a)</i>)	195,233	185,831
Dividend payable (<i>Note 10</i>)	119,538	—
Accruals and other payables (<i>Note (b)</i>)	1,289,379	1,232,753
	<u>1,604,150</u>	<u>1,418,584</u>

Note:

- (a) As at 30 June 2021, included in “Trade payables” are payable of HK\$11,920,000 (31 December 2020: HK\$37,654,000) due to the Group’s associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.
- (b) Accruals and other payables, which are current in nature, mainly include accrued staff costs and other staff benefits, construction payables and VAT payables.

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Up to 1 month	158,882	149,993
1 to 2 months	10,726	9,577
2 to 3 months	5,994	6,507
Over 3 months	19,631	19,754
	<u>195,233</u>	<u>185,831</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2021, China started to implement the 14th Five-Year Plan, which also represents a new excursion into a modern socialist country following the previous five-year plan. Despite the inevitable impact on the global economy brought by the ongoing novel coronavirus (COVID-19) pandemic across the world, the PRC government has taken the most comprehensive, stringent and thorough measures to prevent and control the pandemic with the best interest of its people at the center, which successfully led to significant achievements in pandemic prevention and control, and further enabled the PRC to continue with its economic expansion and stable recovery. As a result, the gradually improving market conditions have been stably strengthened.

While the economic growth resumed and continued on with the economic structure being adjusted and optimized, the PRC government announced its plan to strengthen the Intended Nationally Determined Contributions (INDC) by adopting stronger policies and initiatives, so as to strive for its commitments to the carbon dioxide emission peaking by 2030, as well as carbon neutrality by 2060. These commitments will be made by concrete actions, including incorporation of the concepts of “carbon peaking” and “carbon neutrality” into the overall strategic development of ecological civilization, as well as the announcement of “Administrative Measures for Carbon Emissions Trading (Trial)”, which is aimed to facilitate carbon emissions trading through the national carbon emissions trading system. Following the official launch of the national carbon emission trading market in July 2021, the PRC government has demonstrated its resolution to encourage enterprises to adopt and advance the low-carbon transformation strategy driven by green and environmental protection. The Group believed that the foregoing measures will be conducive to the long-term development of WTE and related environmental industries.

Meanwhile, the PRC government has issued specific policies on WTE and related industries, including the “Notice of the Ministry of Finance on the Collection of Land Idling Fees and Urban Waste Disposal Fees by the Taxation Department” (財政部關於土地閒置費城鎮垃圾處理費劃轉稅務部門徵收的通知) in May 2021, the “Administrative Measures for Special Investments in Pollution Control, Energy Conservation, and Carbon Reduction within the Central Budget” (污染治理和節能減碳中央預算內投資專項管理辦法) circulated by the National Development and Reform Commission (“NDRC”), as well as the “2021 Implementation Plan to the Construction of the Biomass Power Generation Projects” (2021年生物質發電項目建設工作方案) was jointly published by NDRC, Ministry of Finance and National Energy Administration of the PRC. The Group expected that the foregoing policies would further promote the development progress of the industry, which would therefore lay a solid foundation for the Group’s high-quality and sustainable development in the future.

To minimize adverse impacts in this challenging environment, the Group has optimized its production safety plan, construction safety plan and risk response plan in response to the pandemic conditions, and maintained closer communications with all project companies and local governments. In addition, project companies were provided with guidance and supervision over the implementation of safety measures, as well as centralized procurement and distribution of protective gears and disinfectants. Furthermore, we timely cooperated with the government on the pandemic responses and related waste disposal.

During the period under review and up to the date of this announcement, the COVID-19 outbreak did not have any significant impact on our business, with no cases of infection identified among all staff and construction teams. A number of projects were completed and commenced production, with our operating projects continuing with good performances, while other related businesses proceeded orderly. The Group will closely monitor and assess the pandemic impacts, with more proactive measures to be taken in due course, if applicable. As at the date of this announcement, the Group is not aware of any material adverse impact on the financial statements as a result of the pandemic.

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

In addition, the Group continued to fulfill its social responsibility by launching the Cloud Visit Services during the pandemic, through which the public can online visit our WTE plants. Besides being listed in the 2021 Top 50 Environmental Protection Enterprises in China, the Group was ranked among the top “Honoured Companies” in the power sector of the “2021 All-Asia Executive Team” small and mid-cap company ranking compiled by the international authoritative financial magazine Institutional Investor. At the ESG Achievement Awards 2020 organized by the Institute of ESG & Benchmark, the Group was also awarded the “Special ESG Awards — The Outstanding ESG Performer of the Year (Platinum)” and “The Outstanding ESG Company — Criteria Set by Fund Managers (Platinum)”. These awards fully represent our grim determination and commitment to the environmental, social and governance.

OVERALL PERFORMANCE

For the six months ended 30 June 2021, the Group’s revenue was HK\$2,695.2 million (corresponding period in 2020: HK\$2,005.7 million). Revenue from power sales and waste treatment was HK\$1,358.0 million (corresponding period in 2020: HK\$941.2 million). The operating profit was HK\$880.5 million (corresponding period in 2020: HK\$629.1 million). Profit attributable to equity holders of the Company was HK\$616.1 million (corresponding period in 2020: HK\$451.7 million), representing an increase of 36.4%. Basic earnings per share was HK25.4 cents (corresponding period in 2020: HK18.6 cents).

During the period under review, the Group’s implementation of innocuous treatment of waste volume amounted to 4,624,000 tonnes (including non-hazardous medical waste of 5,500 tonnes and smuggled frozen meat of 18,100 tonnes). The Group generated 1,794,152,000 kWh from green energy, saved 466,000 tonnes of standard coal and offset 2,608,000 tonnes of carbon dioxide equivalent emissions.

I. Waste-to-energy Business

Projects and Processing Capacity

As at 30 June 2021, there are 34 operating, secured and announced projects in our portfolio and the daily MSW processing capacity reached 51,140 tonnes. The operating daily MSW processing capacity of 23 projects reached 30,940 tonnes.

As at the date of this announcement, there are 35 operating, secured and announced projects in our portfolio and the daily MSW processing capacity reached 51,940 tonnes.

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

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	20	30,040
Western China Region	3	5,000
Eastern China Region	5	8,850
Northern China and Northeast China Region	5	6,250
Central China Region	2	1,800
Total	35	51,940

The following table sets forth the operational details of our subsidiaries by regions for the period under review.

		Six months ended 30 June	
		2021	2020
Southern China Region	Guangdong Province		
	Processed MSW (<i>tonnes</i>)	3,293,829	2,470,836
	Power generated (<i>MWh</i>)	1,329,618	993,364
	Power sold (<i>MWh</i>)	1,166,898	872,214
	Guangxi Zhuang Autonomous Region		
	Processed MSW (<i>tonnes</i>)	421,121	454,483
	Power generated (<i>MWh</i>)	162,909	142,673
	Power sold (<i>MWh</i>)	143,526	125,178
	Guizhou Province		
Processed MSW (<i>tonnes</i>)	227,420	216,437	
Power generated (<i>MWh</i>)	80,400	77,200	
Power sold (<i>MWh</i>)	67,174	64,771	
Western China Region	Processed MSW (<i>tonnes</i>)	26,207	—
	Power generated (<i>MWh</i>)	3,039	—
	Power sold (<i>MWh</i>)	2,674	—
Eastern China Region	Processed MSW (<i>tonnes</i>)	355,709	—
	Power generated (<i>MWh</i>)	119,860	—
	Power sold (<i>MWh</i>)	105,257	—
Northern China and Northeast China Region	Processed MSW (<i>tonnes</i>)	136,803	—
	Power generated (<i>MWh</i>)	34,675	—
	Power sold (<i>MWh</i>)	29,452	—
Central China Region	Processed MSW (<i>tonnes</i>)	162,832	154,920
	Power generated (<i>MWh</i>)	63,651	58,814
	Power sold (<i>MWh</i>)	55,632	51,409
Total	Processed MSW (<i>tonnes</i>)	4,623,921	3,296,676
	Power generated (<i>MWh</i>)	1,794,152	1,272,051
	Power sold (<i>MWh</i>)	1,570,613	1,113,572

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

Southern China Region

Guangdong Province

Eco-Tech I & II WTE plants, Kewei WTE plant, China Scivest I & II WTE plants, Zhanjiang WTE plant, Zhongshan I WTE plant, phase 1 of Lufeng WTE plant, phase 1 of Dianbai WTE plant, Xinyi WTE plant, phase 1 of Shaoguan WTE plant and Xuwen WTE plant continued to provide contributions during the period under review.

Qingyuan WTE plant and Machong WTE plant commenced trial operation in the first half of 2021.

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

In March 2021, the Group entered into an agreement with the Bureau of Housing, Urban and Rural Construction of Zhongshan City in relation to the concession right of Zhongshan II WTE plant located in Zhongshan City, Guangdong Province. Pursuant to the agreement, the total daily MSW processing capacity of Zhongshan II WTE Plant shall be 2,250 tonnes and the concession period shall be 22 years (including the construction period). Zhongshan II WTE plant is currently under construction. Please refer to the announcement of the Company dated 30 March 2021 for further details.

Guizhou Province and Guangxi Zhuang Autonomous Region

Xingyi WTE plant, Laibin WTE plant and Beiliu WTE plant continued to provide contributions during the period under review. Liping WTE plant is under construction.

Western China Region

Sichuan Province

Phase 1 of Jianyang WTE plant commenced trial operation during the period under review.

Yunnan Province

Phase 1 of Ruili WTE plant commenced trial operation during the period under review. Xiangyun WTE plant is under construction.

Eastern China Region

Shandong Province

Zaozhuang WTE plant continued to provide contributions during the period under review. Shen County WTE plant is in the planning stage.

Shanghai and Jiangsu Province

Baoshan WTE plant and phase 1 of Jingjiang WTE plant are under construction. Taizhou WTE plant is currently under planning.

Northern China and Northeast China Region

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

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

Central China Region

Jiangxi Province

Xinfeng WTE plant continued to provide contributions during the period under review.

Hunan Province

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

II. Environmental Hygiene and Related Services

For the six months ended 30 June 2021, Dongguan Xindongyue processed 34,715 tonnes of solidified fly ash and continued to provide contributions to the Group.

Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC, continued to provide contributions to the Group.

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

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 period under review.

III. Management and Operations of Integrated Smart City Management Services 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 period under review, the Group provided smart car parking solutions for over 14,000 parking spaces, covering Guangdong Province, Hebei Province and Anhui Province.

ANALYSIS OF FINANCIAL RESULTS

Revenue

During the period under review, the Group's revenue reached HK\$2,695.2 million, as compared with the revenue amounted to HK\$2,005.7 million in the corresponding period in 2020. Among that, revenue from power sales and waste treatment fees for the period under review reached HK\$1,358.0 million, representing an increase of 44.3% from the corresponding period in 2020.

The following table sets forth the breakdown of revenue for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Revenue from power sales	956,133	35.5%	673,143	33.6%
Revenue from waste treatment fees	401,866	14.9%	268,031	13.4%
Revenue from project construction services	1,210,827	44.9%	962,350	48.0%
Finance income from service concession arrangements	57,861	2.2%	46,908	2.3%
Environmental hygiene and other services income	68,561	2.5%	55,306	2.7%
Total	<u>2,695,248</u>	<u>100.0%</u>	<u>2,005,738</u>	<u>100.0%</u>

The following table sets forth the breakdown of the Group's revenue by region for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Southern China Region	1,906,875	70.7%	1,492,004	74.4%
Central China Region	48,088	1.8%	41,580	2.1%
Western China Region	215,896	8.0%	122,316	6.1%
Northern China and Northeast China Region	212,506	7.9%	180,405	9.0%
Eastern China Region	311,883	11.6%	169,433	8.4%
Total	<u>2,695,248</u>	<u>100.0%</u>	<u>2,005,738</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 period under review, cost of sales increased by 30.0% from HK\$1,327.5 million in 2020 to HK\$1,726.3 million in 2021. The increase was mainly attributable to the operating costs of new WTE projects that have commenced operation and increase in construction cost for project construction services.

Gross Profit and Gross Profit Margin

During the period under review, gross profit of the Group amounted to HK\$969.0 million, representing an increase of 42.9% as compared to HK\$678.3 million in 2020. The increase in gross profit was mainly attributable to the improvement in the efficiency of the operating WTE projects and increase in processing capacity in operation.

The following table sets forth the breakdown of the Group's gross profit by nature for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Revenue from power sales and waste treatment operations	697,429	72.0%	459,286	67.7%
Revenue from project construction services	199,205	20.6%	160,390	23.7%
Finance income from service concession arrangements	57,861	5.9%	46,908	6.9%
Environmental hygiene and other services income	14,483	1.5%	11,699	1.7%
Total	<u>968,978</u>	<u>100.0%</u>	<u>678,283</u>	<u>100.0%</u>

Gross profit margin of the Group increased from 33.8% in the corresponding period of 2020 to 36.0% in the current period of 2021. The increase was mainly due to the improvement in the efficiency of the operating WTE projects and the increase in the contribution from power sales and waste treatment operations whereby its gross profit margin is generally higher.

The following table sets forth the Group's gross profit margin by nature for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	Gross profit margin	Gross profit margin
Revenue from power sales and waste treatment operations	51.4%	48.8%
Revenue from project construction services	16.5%	16.7%
Finance income from service concession arrangements	100.0%	100.0%
Revenue from environmental hygiene and other services	21.1%	21.2%
Gross profit margin of the Group	36.0%	33.8%

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, security expenses, office expenses and others.

General and administrative expenses increased by 79.9% from HK\$121.2 million in the corresponding period of 2020 to HK\$218.0 million in the current period of 2021. It was mainly due to additional WTE projects under operation.

Other Income

Other income mainly consisted of VAT refund, amortisation of deferred government grants and others. Other income increased by 31.9% to HK\$112.6 million in the current period of 2021. The increase was mainly due to the revenue from the handling service for non-hazardous waste.

Other Gains/(Losses), Net

During the period under review, the Group recorded other net gains of HK\$16.8 million as compared to other net losses of HK\$13.4 million in the corresponding period of 2020. The increase was mainly due to increase in foreign exchange gain.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. Net interest expenses increased by 19.7% from HK\$143.4 million in the corresponding period of 2020 to HK\$171.7 million in the current period of 2021. The increase in interest expenses was due to the increase in borrowings.

Share of net profits of associates and a joint venture

During the period under review, share of net profits of associates and a joint venture decreased by 29.7% from HK\$47.2 million in 2020 to HK\$33.2 million in 2021. It was mainly due to decrease in revenue from project construction from Jianyang Canvest as the construction was substantially completed in 2020.

Income Tax Expense

Income tax expense increased by 52.0% from HK\$80.4 million in the corresponding period of 2020 to HK\$122.2 million in the current period of 2021. It was mainly attributable to the increase in current enterprise income tax incurred by certain operating WTE plants as a result of transiting from full tax exemption in 2020 to half tax exemption in 2021 and increase in deferred income tax as a result of the increase in revenue from project construction services.

Profit Attributable to the Equity Holders of the Company

Profit attributable to the equity holders of the Company increased by 36.4% from HK\$451.7 million in the corresponding period of 2020 to HK\$616.1 million in 2021.

Capital Structure

The Shares of the Company were listed on the Hong Kong Stock Exchange on 29 December 2014. The capital structure of the Company is comprised of ordinary shares.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources

During the period under review, the Group generated HK\$660.0 million in cash from operating projects (corresponding period in 2020: HK\$518.5 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$2,234.6 million (corresponding period in 2020: HK\$1,184.5 million). As a result, the total net cash used in operating activities amounted to HK\$1,574.6 million during the period under review (corresponding period of 2020: HK\$666.0 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 30 June 2021, the total cash and cash equivalents of the Group were HK\$1,926.9 million (31 December 2020: HK\$1,769.6 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 30 June 2021, the Group's bank borrowings were HK\$11,276.3 million (31 December 2020: HK\$9,180.3 million). Such bank borrowings were secured by the pledge

of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2020: same) and all of them were at floating interest rates (31 December 2020: same).

On 6 July 2020, Kewei, together with the ultimate beneficial owner of Jianyang Lujiang Biochemical Co., Ltd. (“Jianyang Lujiang”), an independent third party, and his spouse, 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 Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% equity held by Jianyang Lujiang) a guarantee in the aggregate amount of not exceeding RMB700.0 million (equivalent to HK\$841.3 million) (equivalent to the total amount of the loan provided by DRC Bank to Jianyang Canvest for development and construction of 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.

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 30 June 2021 and as at the date of this announcement, the proceeds of HK\$1,938.0 million and the incremental proceeds of HK\$598.0 million have been fully utilized for the repayment of loans and general working capital. Pursuant to the Facility Agreement I, it shall constitute a mandatory prepayment event (among others) if Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung and any trust established by any of them (collectively, “the Controlling Shareholders”) collectively cease directly or indirectly to (i) have the power to (a) cast, or control the casting of, more than 35% of the maximum number of votes that might be cast at a general meeting of the Company; (b) appoint or nominate a larger number of seats on the board of directors of the Company than any other person or group; or (c) exercise the management control of the Company; (ii) hold beneficially at least 35% of the issued share capital of the Company; or (iii) be collectively the single largest shareholder of the Company. Please refer to the announcement of the Company dated 17 July 2020 for further details.

On 23 November 2020, the Company (as borrower) entered into a facility agreement (the “Facility Agreement II”) with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$390.0 million due to expire in July 2023 has been granted to the Company. As at 30 June 2021 and as at the date of this announcement, the proceeds of HK\$390.0 million have been drawn down and will use 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.

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 the date of this announcement, the proceeds of HK\$150.0 million have not been utilised. 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.

Net asset of the Group was HK\$8,058.0 million (31 December 2020: HK\$7,419.4 million). The increase in net asset was mainly attributable to the profit generated during the period under review.

The following table sets forth the analysis of the Group’s borrowings as at 30 June 2021 and 31 December 2020.

	As at 30 June 2021 HK\$’000	As at 31 December 2020 HK\$’000
Portion of term loans due to repayment after one year		
— secured	10,354,005	8,357,650
Portion of term loans due for repayment within one year		
— secured	922,306	822,634
Total bank borrowings	<u>11,276,311</u>	<u>9,180,284</u>

The gearing ratio is the ratio of total liabilities divided by total assets. As at 30 June 2021, the gearing ratio was 63.4% (31 December 2020: 61.0%).

As at 30 June 2021, the Group had banking facilities in the amount of HK\$15,358.6 million, of which HK\$4,036.1 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

Cost of Borrowings

For the six months ended 30 June 2021, the total cost of borrowings of the Group was HK\$178.5 million (corresponding period in 2020: HK\$148.1 million), representing an increase of HK\$30.4 million. The increase was due to the interest expenses in relation to the increase in borrowings. Effective interest rate ranged from 1.31% to 8.00% for the six months ended 30 June 2021 (corresponding period in 2020: 2.06% to 5.81%).

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 30 June 2021, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$3,349.7 million (31 December 2020: HK\$2,848.8 million) and its capital commitment contracted for but not yet provided for in the interim condensed consolidated financial information in relation to construction cost for BOT amounted to HK\$4,164.6 million (31 December 2020: HK\$4,650.7 million) and capital commitments in relation to the purchase of properties amounted to HK\$225.0 million (31 December 2020: Nil).

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

Purchase of Two Commercial Properties for our Business Expansion

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

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

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the six months ended 30 June 2021. Apart from those disclosed in this announcement, there were no other material investments or additions of capital assets authorised by the Board at the date of this announcement.

CAPITAL EXPENDITURES

For the six months ended 30 June 2021, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$1,062.1 million (corresponding period in 2020: HK\$814.6 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

CONTINGENT LIABILITIES

The Group holds 49% equity interest in Dongguan Xindongyuan, which holds 30% equity interest in Dongguan Xindongqing. As at 30 June 2021, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK\$38.8 million) for bank loans of Dongguan Xindongqing (31 December 2020: RMB32.3 million (equivalent to HK\$38.4 million)).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 30 June 2021, the Group provided a corporate guarantee of RMB90.0 million (equivalent to HK\$108.2 million) for bank loans of Zhongzhou Environmental (31 December 2020: RMB90.0 million (equivalent to HK\$106.9 million)).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2021.

PLEDGE OF ASSETS

As at 30 June 2021, the Group pledged certain of its rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, and intangible assets (31 December 2020: certain of its right to collect revenue from power sales and waste handling, property, plant and equipment and intangible assets) with an aggregate carrying amount of HK\$11,211.2 million (31 December 2020: HK\$10,232.1 million) to certain banks to secure certain credit facilities granted to the Group.

CONNECTED TRANSACTION

On 10 June 2021, the Group entered into the share purchase agreement with Shanghai Galaxy Digital Investment Co., Ltd. (上海星河數碼投資有限公司), a connected person of the Company, to acquire 30% equity interest in Sichuan SIIC Environmental Investment Development Co., Ltd (四川上實環境投資發展有限公司) (“Sichuan SIIC”) for a consideration of approximately RMB12.8 million (equivalent to HK\$15.6 million) and a sale loan. It owns 85% of equity interest in Langzhong Mingcheng Domestic Waste Treatment Co., Ltd. (閬中市名城生活垃圾處理有限公司), which holds a BOT concession right project in Langzhong city, Sichuan Province. Please refer to the announcement of the Company dated 10 June 2021 for further details. As at 30 June 2021 and the date of this announcement, the transaction has not been completed.

CONTINUING CONNECTED TRANSACTIONS

On 12 July 2018, the Company entered into the leasing framework agreement (“Leasing Framework Agreement”) with Yue Xing in relation to the leasing of its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive). This transaction is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules. The annual cap for the transaction for the period from 13 July 2018 to 31 December 2018 is RMB3.5 million. The annual caps for the financial years ending 31 December 2019 and 2020 are RMB7.0 million and RMB7.0 million, respectively, and the annual cap for the period from 1 January 2021 to 30 June 2021 is RMB3.5 million. For the six months ended 30 June 2021, the rent paid by the Group to Yue Xing was HK\$3.8 million (corresponding period of 2020: HK\$3.6 million). Please refer to the announcement of the Company dated 12 July 2018 for further details.

As the business of the Group continues to develop, it is still necessary to continue to lease the offices in order to facilitate the Group’s operations and continuing expansion. On 3 June 2021, the Company and Yue Xing entered into the Supplemental Leasing Framework Agreement (“Supplemental Leasing Framework Agreement”) to renew and revise the annual caps in the Leasing Framework Agreement. The term of the Supplemental Leasing Framework Agreement is three years commencing from 1 July 2021 and will expire on 30 June 2024 (both days inclusive). This transaction 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. The annual cap for the transaction for the period from 1 July 2021 to 31 December 2021 is RMB5.0 million. The annual caps for the financial years ending 31 December 2022 and 2023 are RMB10.0 million and RMB10.0 million, respectively, and the annual cap for the period from 1 January 2024 to 30 June 2024 is RMB5.0 million. Please refer to the announcement of the Company dated 3 June 2021 for further details.

HUMAN RESOURCES

As at 30 June 2021, the Group employed a total of 3,798 employees, 74 of them were at management level. By geographical locations, it had 3,771 employees in the PRC and 27 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). For the six months ended 30 June 2021, 500,000 share options had lapsed and 2,500,000 share options remained outstanding as at 30 June 2021. Total remuneration costs, including Directors’ remuneration, for the six months ended 30 June 2021 were HK\$210.5 million (corresponding period 2020: HK\$158.7 million).

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

EVENTS AFTER THE BALANCE SHEET DATE

In July 2021, the Group was awarded the concession rights in relation to the WTE plant located in Yi County, Hebei Province. The total daily MSW processing capacity of this plant shall be 800 tonnes.

CHANGES SINCE 31 DECEMBER 2020

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 in the annual report for the year ended 31 December 2020.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK5.0 cents (corresponding period in 2020: HK3.7 cents) per share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Monday, 18 October 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 17 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 15 September 2021 to Friday, 17 September 2021 (both days inclusive), during such period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 September 2021.

PUBLIC FLOAT

Based on the information that is available to the Company and to the knowledge 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 six months ended 30 June 2021 and as at the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The audit committee comprises three independent non-executive Directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial information. There is no disagreement between the Board and the audit committee regarding the accounting treatment adopted by the Company.

The interim results for the six months ended 30 June 2021 have not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2021 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, 24 August 2021

GLOSSARY

Baoshan	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 the Group effectively holds 18% equity interest of it
Beiliu	Beiliu Canvest Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
China or PRC	the People’s Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited** (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Director(s)	director(s) of the Company
Dongguan Xindongqing	Dongguan Xindongqing Environmental Investment Company Limited** (東莞市新東清環保投資有限公司), a company incorporated in the PRC with limited liability and Dongguan Xindongyuan holds 30% equity interest of it
Dongguan Xindongyuan or Machong	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company incorporated in the PRC with limited liability and the Group holds 49% equity interest of it
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞市新東粵環保實業有限公司), a company incorporated in the PRC with limited liability and the Group holds 35% equity interest of it
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eco-Tech	Dongguan Eco-Tech Environmental Power Company Limited** (東莞市科偉環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hunyuan	Datong Canvest Environmental Power Company Limited** (大同粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates
Jiayang or Jiayang Canvest	Jiayang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it
Jingjiang	Jingjiang Canvest Environmental Power Company Limited** (靖江粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955) and the Group holds 30.75% equity interest of it
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as “Dongguan Kewei Environmental Power Company Limited”)** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin	Laibin Canvest Environmental Power Company Limited (formerly known as “Laibin Zhongke Environmental Power Company Limited”)** (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Linfen	Linfen Canvest Environmental Power Company Limited** (臨汾粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

Liping	Qiandongnanzhou Liping Canvest Environmental Power Company Limited** (黔東南州黎平粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Lufeng	Lufeng Canvest Environmental Power Company Limited** (陸豐粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Main Board	the Main Board of the Hong Kong Stock Exchange
Mancheng	Baoding Canvest Kewei Environmental Power Company Limited** (保定粵豐科維環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠市中田新能源有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
Ruili	Dehong Canvest Environmental Power Company Limited** (德宏粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaoguan	Shaoguan Canvest Environmental Power Company Limited** (韶關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
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 Shanghai Industrial Environmental Energy Company Limited** (莘縣上實環保能源有限公司), a company incorporated in the PRC with limited liability and the Group holds 20% equity interest of it
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC
WTE	waste-to-energy, the process of generating electricity from the incineration of waste

Xiangyun	Xiangyun Shengyun Environmental Energy Co., Ltd** (祥雲盛運環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xinfeng	Xinfeng Canvest Environmental Power Company Limited (formerly known as “Jiangxi Xinfeng Kunyue Environmental Protection Company Limited”)** (信豐粵豐環保電力有限公司) (formerly known as 江西信豐坤躍環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xingyi	Qianxinan Canvest Environmental Power Company Limited (formerly known as “Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited”)** (黔西南粵豐環保電力有限公司) (formerly known as 黔西南州興義市鴻大環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xinyi	Xinyi Canvest Environmental Power Company Limited** (信宜粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xuwen	Xuwen Canvest Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Yingkou	Yingkou Canvest Power Environmental Company Limited** (營口粵豐電力環保有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Yue Xing	Dongguan City Yue Xing Company Limited** (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director of the Company, and his associate
Zaozhuang	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

Zhanjiang	Zhanjiang Canvest Environmental Power Company Limited** (湛江市粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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*