粵豐環保電力有限公司
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1381

Path to Zero Carbon
Innovation for the Future

2021
Annual Report

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CORPORATE PROFILE

Canvest Environmental Protection Group Company Limited is a leading integrated urban environmental protection and sanitation solution provider, focusing on WTE and the provision of intelligent urban environmental hygiene and related services. As at 22 March 2022, the Group has secured 35 WTE projects, and a number of these projects have been awarded "Grade AAA Innocuous Waste Incineration Plant", the highest ranking in the grading system. Going forward, Canvest will continue to develop its WTE business and capture new opportunities related to integrated smart city management services.

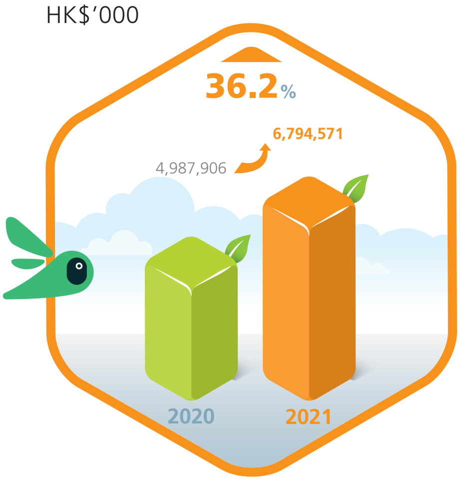
The Company was listed on the Main Board of Hong Kong Stock Exchange in December 2014, and has been selected as:

- One of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect
- a constituent of the following indexes:
  - Hang Seng Global Composite Index
  - Hang Seng Composite Index
  - Hang Seng Composite Industry Index — Utilities
  - Hang Seng Composite SmallCap Index
  - Hang Seng Stock Connect Greater Bay Area Composite Index
  - Hang Seng Stock Connect Greater Bay Area Hong Kong Index
  - Hang Seng Stock Connect Greater Bay Area New Economy Index

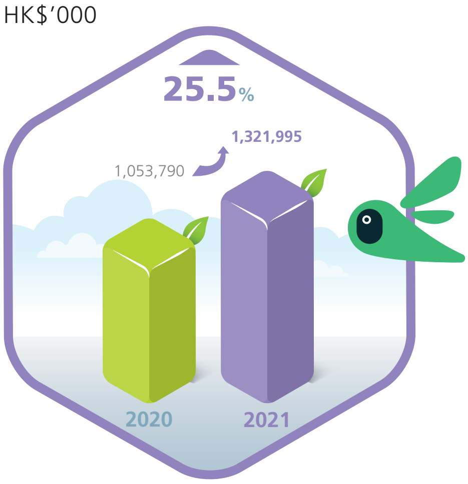
CONTENTS

FINANCIAL HIGHLIGHTS

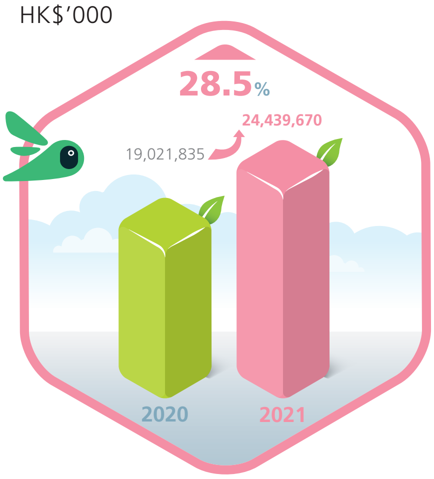
Revenue
(for the year ended 31 December)
HK$'000



Profit attributable to equity holders of the Company
(for the year ended 31 December)
HK$'000



Total assets
(as at 31 December)
HK$'000



CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS, DIVIDEND AND CASH GENERATED FROM OPERATING PROJECTS

	For the year ended 31 December		
	2021	2020	Change
Revenue (HK$'000)	6,794,571	4,987,906	+36.2%
Included: Revenue from power sales and waste treatment (HK$'000)	2,997,264	2,062,249	+45.3%
Gross profit (HK$'000)	2,110,279	1,545,124	+36.6%
EBITDA (HK$'000)**	2,616,444	2,061,573	+26.9%
Profit for the year (HK$'000)	1,319,167	1,057,183	+24.8%
Profit attributable to equity holders of the Company (HK$'000)	1,321,995	1,053,790	+25.5%
Basic earnings per Share (HK cents)	54.4	43.4	+25.4%
Total dividend per Share (HK cents)*	10.8	8.6	+25.6%
Cash generated from operating projects (HK$'000)**	1,755,319	1,295,956	+35.5%

* including proposed final dividend for the year ended 31 December 2021 of HK5.8 cents (2020: HK4.9 cents) per Share

** Non-HKFRS measures

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

	As at 31 December		
	2021	2020	Change
Total assets (HK$'000)	24,439,670	19,021,835	+28.5%
Total liabilities (HK$'000)	15,553,735	11,602,414	+34.1%
Included: Total bank borrowings (HK$'000)	12,703,875	9,180,284	+38.4%
Equity attributable to equity holders of the Company (HK$'000)	8,485,530	7,134,606	+18.9%
Total liabilities / total assets	63.6%	61.0%	+2.6 pts

PROJECTS OVERVIEW

Total Operating, Secured and Announced Daily MSW Processing Capacity

51,990 Tonnes

(as at 22 March 2022)

	Number of Projects	Daily Processing Capacity (tonnes)
Guangdong	16	25,290
Guangxi	2	2,550
Guizhou	2	2,250
Hebei	2	1,800
Hunan	1	1,000
Jiangsu	2	2,050
Jiangxi	1	800
Liaoning	1	2,250
Shandong	2	3,000
Shanghai	1	3,800
Shanxi	2	2,200
Sichuan	1	3,000
Yunnan	2	2,000
Total	35	51,990

PROJECTS OVERVIEW

			Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status
Guangdong	1	Eco-Tech I WTE plant	Dongguan	1,800 tonnes	36MW	RMB110/tonne	In operation
Guangdong	2	Eco-Tech II WTE plant	Dongguan	1,500 tonnes	50MW	RMB110/tonne	In operation
Guangdong	3	Kewei WTE plant	Dongguan	1,800 tonnes	30MW	RMB110/tonne	In operation
Guangdong	4	China Scivest I WTE plant	Dongguan	1,800 tonnes	42MW	RMB110/tonne	In operation
Guangdong	5	China Scivest II WTE plant	Dongguan	1,200 tonnes	36MW	RMB110/tonne	In operation
Guangdong	6	Machong WTE plant	Dongguan	2,250 tonnes	80MW	RMB110/tonne	In operation
Guangdong	7	Zhanjiang WTE plant	Zhanjiang	1,500 tonnes	30MW	RMB81.8/tonne	In operation
Guangdong	8	Qingyuan WTE plant	Qingyuan	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	50MW	RMB88/tonne	In operation
Guangdong	9	Zhongshan I WTE plant	Zhongshan	1,040 tonnes	24MW	RMB93.61/tonne	In operation
Guangdong	10	Zhongshan II WTE plant	Zhongshan	2,250 tonnes	70MW	RMB93.61/tonne	In operation
Guangdong	11	Lufeng WTE plant	Lufeng	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	RMB91.5/tonne	Phase 1: In operation Phase 2: Planning
Guangdong	12	Xinyi WTE plant	Xinyi	1,000 tonnes	24MW	RMB79/tonne	In operation
Guangdong	13	Xuwen WTE plant	Xuwen	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	RMB80.5/tonne	In operation
Guangdong	14	Dianbai WTE plant	Maoming	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: 25MW	RMB89.5/tonne	Phase 1: In operation Phase 2: Planning
Guangdong	15	Shaoguan WTE plant	Shaoguan	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB88.88/tonne	Phase 1: In operation Phase 2: Planning
Guangdong	16	Huizhou WTE plant	Huizhou	1,000 tonnes	Planning	RMB110/tonne	Planning
Guangxi	17	Laibin WTE plant	Laibin	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	RMB95/tonne	Phase 1: In operation Phase 2: Planning
Guangxi	18	Beiliu WTE plant	Beiliu	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB83/tonne (Calculated on weighted average basis)	In operation
Guizhou	19	Xingyi WTE plant	Xingyi	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB80/tonne	In operation
Guizhou	20	Qiandongnan Prefecture South Area WTE plant	Liping	Phase 1: 700 tonnes Phase 2: 350 tonnes	15MW	RMB66.8/tonne	Phase 1: In operation Phase 2: Planning



PROJECTS OVERVIEW

			Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status
Shandong	21	Zaozhuang WTE plant	Zaozhuang	Phase 1: 1,000 tonnes Phase 2: 800 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB49/tonne (Under negotiation)	In operation
Shandong	22	Shen County WTE plant	Shen County, Liaocheng	Phase 1: 700 tonnes Phase 2: 500 tonnes	15MW	RMB70/tonne	Planning
Shanghai	23	Baoshan WTE plant	Shanghai	3,800 tonnes	126MW	Under negotiation	Under construction
Jiangsu	24	Jingjiang WTE plant	Jingjiang	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 7.5MW	RMB67.8/tonne	Phase 1: In operation Phase 2: Planning
Jiangsu	25	Taizhou WTE plant	Taizhou	850 tonnes	18MW	RMB79.9/tonne	Under construction
Sichuan	26	Jianyang WTE plant	Jianyang	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	RMB93.1/tonne	Phase 1: In operation Phase 2: Planning
Yunnan	27	Ruili WTE plant	Ruili	Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: Planning	RMB75/tonne	Phase 1: In operation Phase 2: Planning
Yunnan	28	Xiangyun WTE plant	Xiangyun	Phase 1: 500 tonnes Phase 2: 500 tonnes	18MW	RMB56.8/tonne	Phase 1: In operation Phase 2: Planning
Hebei	29	Mancheng WTE plant	Mancheng	Phase 1: 500 tonnes Phase 2: 500 tonnes	24MW	RMB76.8/tonne	In operation
Hebei	30	Yi County WTE plant	Yi County	800 tonnes	18MW	RMB106.68/tonne	Planning
Shanxi	31	Linfen WTE plant	Linfen	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB94.6/tonne	Under construction
Shanxi	32	Hunyuan WTE plant	Hunyuan	Phase 1: 500 tonnes Phase 2: 500 tonnes	Phase 1: 9MW Phase 2: 9MW	RMB57.5/tonne	Planning
Liaoning	33	Yingkou WTE plant	Yingkou	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 30MW Phase 2: 15MW	RMB66/tonne	Phase 1: In operation Phase 2: Planning
Hunan	34	Changning WTE plant	Changning	Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: Planning	RMB61.8/tonne	Planning
Jiangxi	35	Xinfeng WTE plant	Xinfeng	Phase 1: 400 tonnes Phase 2: 400 tonnes	15MW	RMB70/tonne	In operation

CORPORATE MILESTONES

Q1 2021

- Awarded the concession right in relation to Changning WTE project
- Awarded the concession right in relation to Huizhou WTE project
- Sichuan Jiajieyuan was awarded the MSW transportation contract in Xinyi City, Guangdong Province

Q2 2021

- Phase 1 of Yingkou WTE plant commenced trial operation
- Phase 1 of Ruili WTE plant commenced trial operation
- Mancheng WTE plant commenced trial operation
- Machong WTE plant commenced trial operation
- Qingyuan WTE plant commenced trial operation
- Entered into a strategic cooperation agreement for carbon asset development consulting service

Q3 2021

- Awarded the concession right in relation to Yi County WTE project

CORPORATE MILESTONES

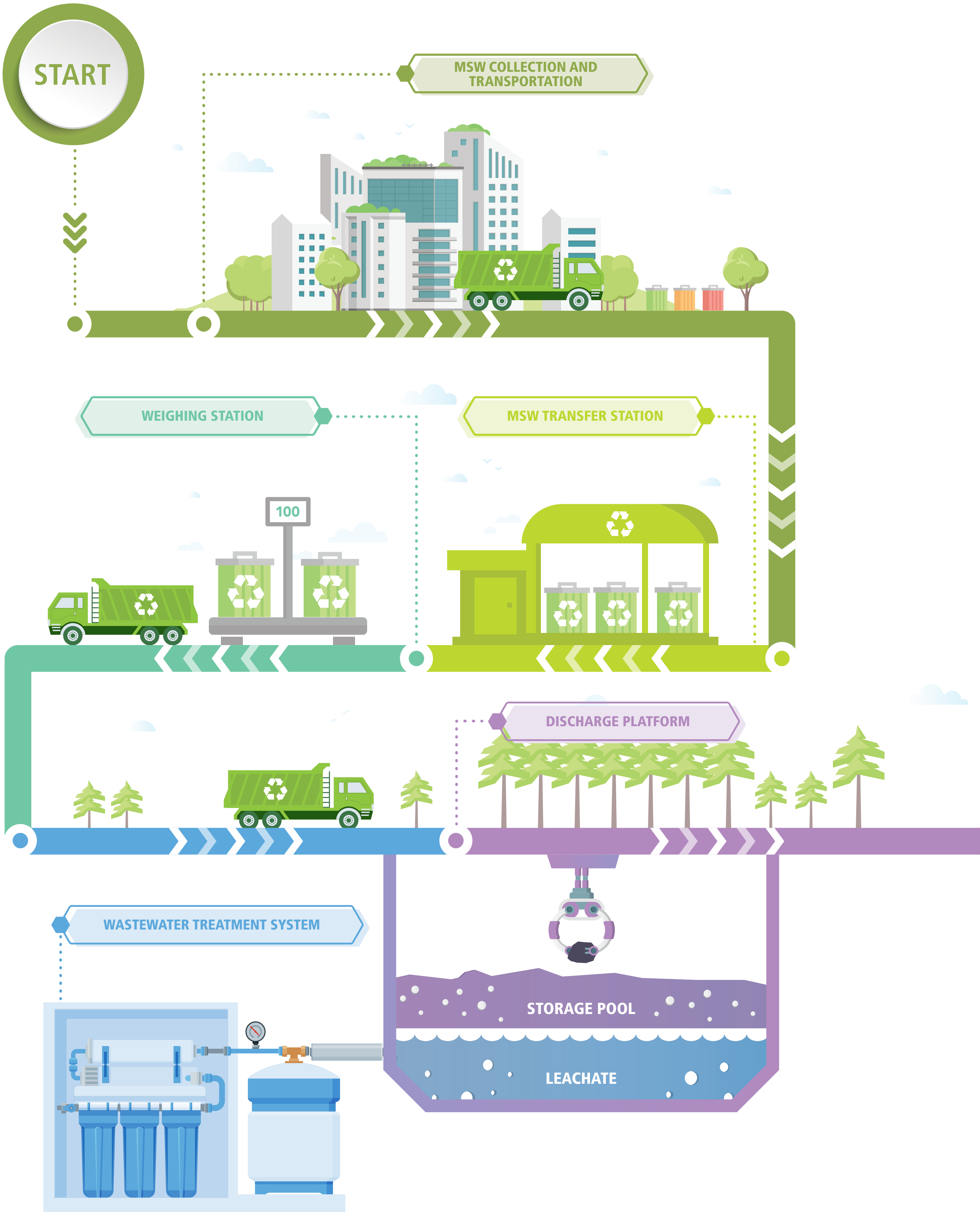
Q4 2021

- Zhongshan II WTE plant commenced trial operation
- Phase 1 of Jingjiang WTE plant commenced trial operation
- Phase 1 of Xiangyun WTE plant commenced trial operation
- Phase 1 of Liping WTE plant commenced trial operation
- Ruili WTE plant was recognised as "2020 Demonstration Project for Standardised Quality Control in Construction in Yunnan Province"

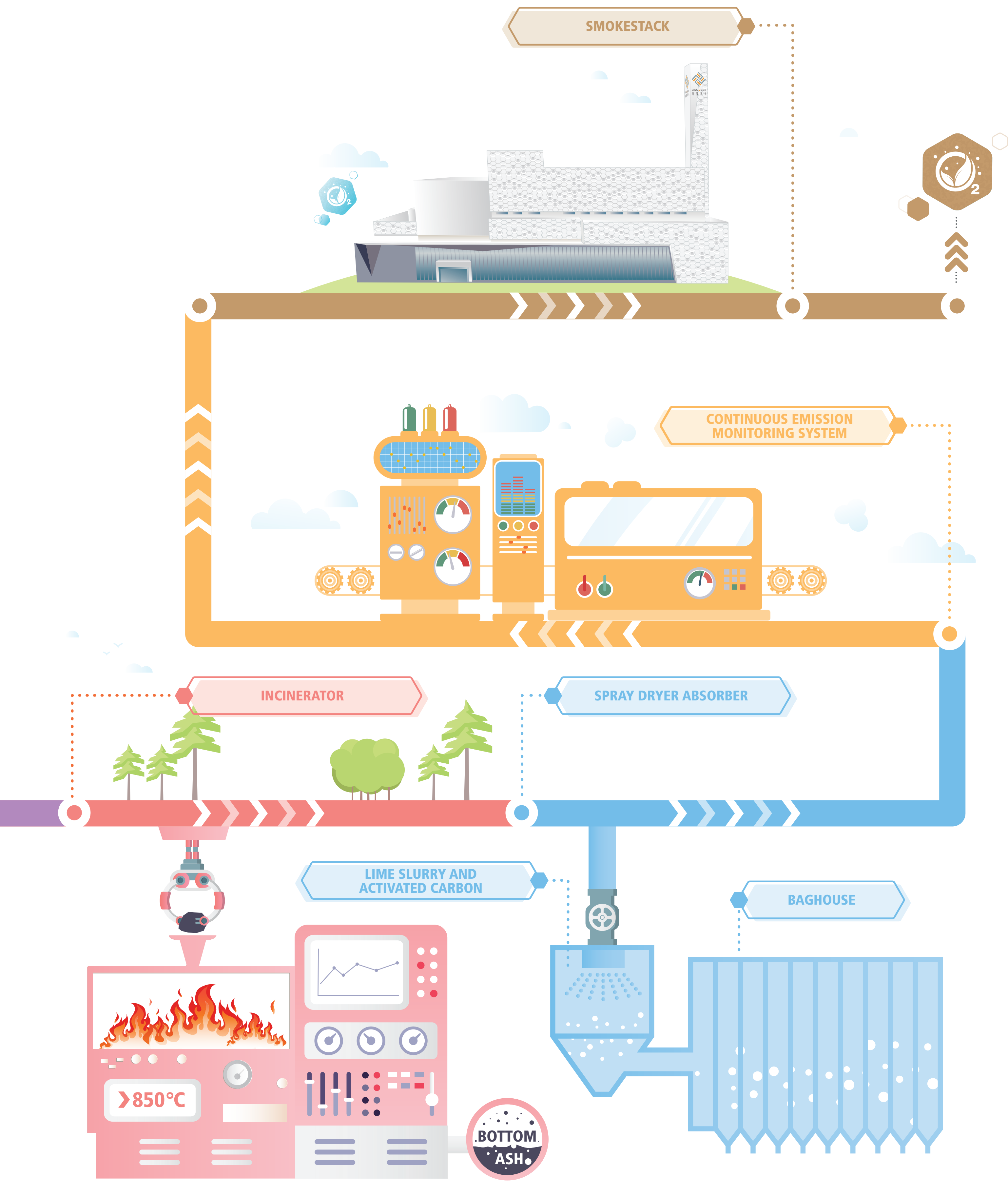
Q1 2022

- Established the Strategy and Sustainability Committee
- Succeeded for the first time to obtain a loan amounted to RMB25.0 million from a financial institution by pledging the national subsidy receivables
- Entrusted to manage and operate Baoshan WTE Project
- Dianbai WTE project was awarded the Luban Prize for China Construction Engineering 2020–2021 (National Prime-quality Project) and was recognised as "Grade AAA Innocuous Waste Incineration Plant"

MSW PROCESSING AND WTE PROCESS



MSW PROCESSING AND WTE PROCESS



CHAIRLADY'S STATEMENT

CHAIRLADY'S STATEMENT

REVENUE INCREASED BY 36.2% YEAR-ON-YEAR TO HK$6,794.6 MILLION, AND THE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY INCREASED BY 25.5% YEAR-ON-YEAR TO HK$1,322.0 MILLION, BY FOCUSING ON IMPROVING ITS OPERATIONAL PERFORMANCE AND PROJECT CONSTRUCTION MANAGEMENT THROUGH REFINED MANAGEMENT AND FURTHER INNOVATION.

TO ALL HONORABLE SHAREHOLDERS,

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

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

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

CHAIRLADY'S STATEMENT

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

FINANCIAL PERFORMANCE

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

OUTLOOK

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

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

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

CHAIRLADY'S STATEMENT

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

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

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

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

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

OVERALL PERFORMANCE

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

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

I. Waste-to-energy Business

Projects and Processing Capacity

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Southern China Region

Guangdong Province

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

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

Guizhou Province and Guangxi Zhuang Autonomous Region

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

Western China Region

Sichuan Province

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

Yunnan Province

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

Eastern China Region

Shandong Province

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

Shanghai and Jiangsu Province

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

Northern China and Northeast China Regions

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

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

Central China Region

Jiangxi Province

Xinfeng WTE plant continued to provide contributions in 2021.

Hunan Province

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

II. Environmental Hygiene and Related Services

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

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

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

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

III. Management and Operations of Smart Car Parking Business

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

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

ANALYSIS OF FINANCIAL RESULTS

Revenue

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

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

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

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

	Year ended 31 December			
	2021		2020	
	HK$'000	**%**	HK$'000	%
Southern China Region	**4,668,440**	**68.6%**	3,270,262	65.6%
Central China Region	**98,763**	**1.5%**	85,289	1.7%
Western China Region	**540,196**	**8.0%**	391,415	7.8%
Northern China and Northeast China Regions	**845,976**	**12.5%**	759,382	15.2%
Eastern China Region	**641,196**	**9.4%**	481,558	9.7%
Total	**6,794,571**	**100.0%**	4,987,906	100.0%

Cost of Sales

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

Cost of sales increased by 36.1% from HK$3,442.8 million in 2020 to HK$4,684.3 million in 2021. The increase was mainly attributable to the operating costs of new WTE plants that have commenced operation and increase in construction cost for project construction services.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

General and Administrative Expenses

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

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

Other Income

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

Other Gains, Net

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

Interest Expense, Net

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

Share of Net Profits of Associates and Joint Ventures

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

Income Tax Expense

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

Profit Attributable to the Equity Holders of the Company

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

Capital Structure

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

Liquidity, Financial and Capital Resources

Financial resources

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

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2021, the total cash and cash equivalents of the Group were HK$1,704.0 million (31 December 2020: HK$1,769.6 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 31 December 2021, the Group's bank borrowings were HK$12,703.9 million (31 December 2020: HK$9,180.3 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2020: same) and all of them were at floating interest rates (31 December 2020: same).

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

On 23 November 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$390.0 million due to expire in July 2023 has been granted to the Company. As at 31 December 2021 and as at the date of this annual report, the proceeds of HK$390.0 million have been fully utilised for capital expenditure and general working capital. Pursuant to the Facility Agreement II, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 23 November 2020 for further details.

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

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

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

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

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

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

Cost of Borrowings

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

Foreign Exchange Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

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

Pledging of shares by Controlling Shareholders

As at 31 December 2021, the Controlling Shareholders have not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

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

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

On 10 June 2021, the Group entered into the share purchase agreement with Shanghai Galaxy Digital Investment Co., Ltd. (上海星河數碼投資有限公司), a connected person of the Company, to acquire 30% equity interest in Sichuan SIIC at a consideration of approximately RMB12.8 million (equivalent to HK$15.5 million as at the acquisition date) and a sale loan. Sichuan SIIC owns 85% equity interest in Langzhong Mingcheng Domestic Waste Treatment Co., Ltd. (閬中市名城生活垃圾處理有限公司), which holds a BOT concession right project in Langzhong city, Sichuan Province. Please refer to the announcement of the Company dated 10 June 2021 for further details. This acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the year ended 31 December 2021. Apart from those disclosed in this annual report, there were no other material investments or additions of capital assets authorised by the Board at the date of this annual report.

Capital Expenditures

For the year ended 31 December 2021, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements and purchase of new office amounting to HK$3,405.8 million (2020: HK$2,319.5 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

Contingent Liabilities

On 6 July 2020, Kewei, the ultimate beneficial owner of Jianyang Lujiang Biochemical Co., Ltd. ("Jianyang Lujiang"), and his spouse (collectively, the "Guarantors"), entered into a joint and several guarantee agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), pursuant to which each of the Guarantors agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700.0 million (equivalent to HK$856.2 million) (equivalent to the total amount of the project loan provided by DRC Bank to Jianyang WTE plant). The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Please refer to the announcement of the Company dated 6 July 2020 for further details.

The Group holds 49% equity interest in Dongguan Xindongyuan, which holds 30% equity interest in Dongguan Xindongqing. As at 31 December 2021, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK$39.5 million) for bank loans of Dongguan Xindongqing (31 December 2020: RMB32.3 million (equivalent to HK$38.4 million)).

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

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

Pledge of Assets

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

Continuing Connected Transactions

On 12 July 2018, the Company entered into the leasing framework agreement ("YX Leasing Framework Agreement") with Yue Xing in relation to the leasing of its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive). The annual caps for the transactions for the period from 13 July 2018 to 31 December 2018, for the financial years ended 31 December 2019 and 2020, and for the period from 1 January 2021 to 30 June 2021 are RMB3.5 million, RMB7.0 million, RMB7.0 million and RMB3.5 million, respectively. Please refer to the announcement of the Company dated 12 July 2018 for further details.

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

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

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

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

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

Tax relief and exemption

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

Human Resources

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

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

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

Financial Assistance and guarantees to affiliated companies by the Company

As at 31 December 2021, the Company had not provided any financial assistance and guarantees to affiliated companies which is subject to disclosure requirement under Rule 13.22 of the Listing Rules.

Advance to an entity provided by the Company

As at 31 December 2021, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

Events after Balance Sheet Date

(a) On 23 February 2022, the Group acquired 29.56% equity interest in Zaozhuang Zhongke by public auction with a total consideration of approximately RMB15.4 million (equivalent to approximately HK$18.8 million).

(b) On 1 March 2022, the Group was awarded the concession right of a WTE plant located in Quyang County, Hebei Province by way of public tender. The total daily municipal solid waste processing capacity of this project is 1,050 tonnes. It shall be constructed in two phases, of which the processing capacity of phase 1 shall be 700 tonnes and phase 2 shall be 350 tonnes. As at the date of this annual report, no concession agreement in relation to the award of the tender was entered.

Changes since 31 December 2021

Saved as disclosed above, there were no other significant changes in the Group's financial position or information as disclosed under Management Discussion and Analysis for the year ended 31 December 2021.

Dividends

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

Update on China Scivest WTE Plant

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the year ended 31 December 2021, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

PRINCIPAL RISK AND UNCERTAINTIES

The Board and audit committee work with an external professional party to identify, monitor and formulate plans to mitigate potential risks and uncertainties that materially affect the business of the Group.

Major identified risks and uncertainties are listed as follows:

Risk	Nature
Strategy	
"Not-In-My-Backyard" phenomenon	The public's misunderstanding over WTE industry, and poor environmental performance of peers and business partners might adversely affect the business development of the Group.
Changes in government subsidies/tax incentives policies	The revenue and profitability of the Group from power sales may be affected by any change to national policies of subsidized electricity tariffs for WTE plants. Besides, if the government reduces tax incentives for the environmental protection industry in the future, the Group's operations, profitability and cash flows may be adversely affected. According to the concession agreement, the waste treatment fee may be adjusted accordingly, however, as the government and the Group are required to assess the extent of fee adjustments, the Group may continue to be exposed to the risk of decreasing revenue caused by the failure to adjust the waste treatment fee in a timely and appropriate manner.
Market competition	In line with the increasingly intensified competition in the industry, the Group will face greater challenges in obtaining new projects, which will pose a downward pressure on the Group's tender quotations and in return will affect its profit margin. When failing to offer competitive prices, the Group may not secure contracts, which may have a negative impact on its profitability and operations.
Business expansion	The inadequacy of assessment and investigations prior to commencement of a new business leads to an insufficient understanding of the local conditions, which may therefore result in the risk of losses in revenue and investment cost, and cause material impacts on the Group's development. A failed strategic planning may materially affect the Group's long-term development and revenue.
Compliance	
Environmental protection	In line with a growing public awareness of environmental protection and the government's increasing emphasis on environmental protection, the government introduces more stringent national policies, laws and regulations in related to environmental protection. The Group will be subject to administrative penalties if it fails to meet the requirements of environmental laws and regulations or upon occurrence of environmental pollution incidents. At the same time, in light of the increasingly improved relevant environmental protection standards, the Group will subsequently increase its spendings in environmental protection with higher operating costs.
Compliance with the Listing Rules and other relevant laws	In addition to compliance with the Listing Rules, the Group is required to comply with various regulations in the PRC and Hong Kong, such as environmental protection, labour-related and relevant tax laws. Failure to comply with the Listing Rules and other relevant laws may result in damages to the Group's corporate image and expose it to the risks of investigation, operational disruption, suspension and director liability.

Risk	Nature
Operation	
Non-compliant suppliers/contractors	If the contractor fails to complete the construction work on time, or the construction work fails to meet the contractual requirements, the Group may be unable to fulfil the requirements under concession agreement, thereby affecting its reputation, quality of service and the necessity for additional costs. If suppliers fail to effectively ensure the quality of daily operating materials (e.g. environmental materials) or supply products in a timely manner, or the Group fails to select appropriate suppliers, the risk of failing to meet customers' expectations may increase, which may affect the Group's reputation and quality of service.
Recruitment	The WTE industry is a multidisciplinary and knowledge-intensive industry with a higher demand for technical and management talents. If the progress of training of in-house talents or the introduction of external talents fail to keep pace with the Group's expansion scale, coupled with the insufficient talent pool available in the market, the operation schedule of new projects may be affected.
Health and safety	The Group's operations may result in air emission and noise, and accidents may happen to our employees during their operation of machinery. The Group is exposed to claim risks for work-related accidents and injuries and public liability for physical injuries and property damages, which may have an impact on the Group's reputation and finances.
Infectious disease	The novel coronavirus pandemic causing severe impacts on the workforce and economy of the world and mainland China. If there is a material adverse change in the trend of this outbreak or if we encounter another major outbreak in subsequent operations, it may have an adverse impact on the Group's operations and results. If our employees are infected with the novel coronavirus, the Group's services may be affected and there is a possibility of service disruption.
Technological changes	New WTE technologies and even more advanced waste treatment technologies may emerge in the future, in which case, where the Group fails to acquire the relevant technologies in a timely manner, the Group's market position and profitability will be adversely affected, and may even expose the Group to the threat of substitution.
Finance	
Cash management/liquidity	The Group's strategic planning and business expansion depends on cash flow. Failure to effectively monitor cash flow may result in disruption to the Group's daily operations, as well as its ability to pay suppliers and creditors and fulfill customer service contracts, an increase in finance costs, a decline in the credit rating, or a default in payment of staff cost, all of which may ultimately affect the Group's ability to operate on an ongoing basis.
Budgeting, reporting and disclosure	If the Group fails to prepare financial reports and annual budgets, including incomplete and/or inaccurate information regarding forecasts and planning, the management may make inappropriate conclusions and decisions due to lack of complete and/or accurate financial information and business planning information. Failure to disclose information regarding financial reports in a timely, complete, and accurate manner may expose the Group to penalties from regulatory authorities and impair the financial position of the Group.

In mitigation of identified risks, the Group actively assesses the effect of changes in situation and works closely with internal and external parties to ensure proper preventive actions to avoid or mitigate their adverse impacts.

CORPORATE GOVERNANCE REPORT

The Company pursues good corporate governance practices and procedures, and considers them crucial in maintaining and building our brand, maximizing the profit of the Group and enhancing the long-term benefits for the Group as well as its Shareholders. As such, the Company has adopted the CG Code.

Maintaining a high level of corporate governance can showcase the Group's high standard of credibility and transparency. It can strengthen the confidence of the shareholders and the public.

During the year ended 31 December 2021, the Company has complied with the code provisions as set out in the CG Code.

THE BOARD

Role of the Board

Except for matters requiring Shareholders' approval in accordance with the constitutional documents of the Company, the Listing rules, other applicable laws and regulations, the Board, which is the ultimate decision making body of the Company, directs and approves the overall strategies of the Group.

Board composition

During the year ended 31 December 2021 and up to the date of this annual report, the Board comprises the following directors:

Name of Directors	Title	Appointment Date
Lee Wing Yee Loretta	Executive Director and Chairlady	28 January 2014
Lai Kin Man	Executive Director and Deputy Chairman	10 February 2014
Yuan Guozhen	Executive Director and Chief Executive Officer	24 September 2014
Lai Chun Tung	Executive Director	24 September 2014
Feng Jun	Non-executive Director	31 March 2017
Lui Ting Cheong Alexander	Non-executive Director	24 September 2014
Sha Zhenquan	Independent Non-executive Director	7 December 2014
Chan Kam Kwan Jason	Independent Non-executive Director	7 December 2014
Chung Wing Yin	Independent Non-executive Director	7 December 2014
Chung Kwok Nam	Independent Non-executive Director	31 March 2017

Relevant list of members of the Board has been published on the Company's website, the Hong Kong Stock Exchange's website and all corporate communications issued by the Company.

The Board is of the view that the composition of the Board and board committees can protect the interests of the shareholders and the Group.

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 46 to 48 of this annual report.

With a view to achieving a sustainable and balanced development, the Directors recognise the diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services as essential elements in supporting the attainment of its strategic objectives and its sustainable development. The Board is responsible for formulating the Group's overall strategies, making major corporate and operational decisions of the Group and presenting a clear guidance to the senior management. The senior management are responsible for supervising and executing the Board policies and strategies, as well as provision of updates on the Group's performance to the Board to enable the Board to deliver and discharge its duties.

Chairlady, Deputy Chairman and Chief Executive Officer

The Company has complied with Code J of the CG Code as the roles of the Chairlady and the Chief Executive Officer are not performed by the same individual.

The role and division of responsibilities between the Chairlady, Deputy Chairman and Chief Executive Officer were clearly defined. Ms. Loretta Lee is the Chairlady, Mr. KM Lai is the Deputy Chairman and Mr. Yuan Guozhen is the Chief Executive Officer.

The Chairlady is responsible for formulating the Group's overall strategies and making major corporate and operational decisions of the Group. She also organises the works of the Board, ensures its effectiveness and instructs the company secretary from time to time to update the Directors with the Group's development situation and latest information or provisions relating to corporate governance so that the Directors can perform their duties. Meanwhile, the Chairlady will invite the Directors to jointly attend corporate activities from time to time to promote a favourable and constructive relationship between the Directors.

The Chief Executive Officer is authorised by the Board to lead the senior management to execute the overall strategies and manage the daily operation of the Group according to the objectives and directions determined by the Board. The position of the Chairlady and Chief Executive Officer are held by separate individuals to ensure the effective segregation of duties between the management of the Board and operation.

Independence of the Independent Non-executive Directors

During the year ended 31 December 2021 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. By 31 December 2021, no independent non-executive Director has served the Company for more than 9 years.

Independent non-executive Directors are responsible for supervising and providing independent judgment to the Board with a view to protect the interests of the Group and the Shareholders of the Company as a whole. Independent non-executive Directors can also vote independently on matters where executive Directors shall abstain from voting when there are potential conflict of interests between executive Directors and the matter under consideration.

APPOINTMENT AND RE-ELECTION AND TERMS OF NON-EXECUTIVE DIRECTORS

Each Director, including non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a maximum period of three years and is subject to re-election.

With the adoption of the amended and restated memorandum and articles of association, Directors newly appointed by the Board are subject to re-election at the first general meeting after the appointment.

Each Director has disclosed to the Company about the names, titles and nature of his/her positions held in public companies or organisations, prior to his/her acceptance of the appointment, and undertook to inform the Company of any relevant change in a timely manner. The Company also requires Directors to submit written confirmation or update on their biographical details, if any, every year, and set out the updated biographical details of Directors, if any, in this annual report.

Pursuant to requirements of the amended and restated articles of association of the Company, not less than one third of the Board members shall retire by rotation in annual general meeting and each Director shall retire by rotation once every three years and being entitled to re-election. Both names and biographical details of Directors eligible for re-election are set out in the circular of the Company for Shareholders to make informed decisions with grounds in the election of Directors. All Directors appointed to fill a casual vacancy or additional appointment will be subject to election by Shareholders at the forthcoming general meeting after their appointments and being entitled to re-election. Appointment of Directors of the Company shall be subject to a separate resolution to be approved by Shareholders.

TRAINING AND SUPPORT FOR DIRECTORS

The Company recognises the importance of keeping the Directors updated with latest information relating to the discharge of his/her duties as director. As such, each newly appointed Director would receive an introductory training pack. The company secretary will also provide Directors with the latest information on Listing Rules and other applicable regulatory requirements from time to time, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintain records of the trainings attended by the Directors.

In addition, the Company provides monthly operational data, financial performance and position information to the Directors. Management will provide quarterly analysis reports to the Directors to ensure all of them know the development of the Company.

Name of Directors	Title	Type of trainings
Lee Wing Yee Loretta	Executive Director and Chairlady	A, B
Lai Kin Man	Executive Director and Deputy Chairman	A, B
Yuan Guozhen	Executive Director and Chief Executive Officer	A, B
Lai Chun Tung	Executive Director	A, B
Feng Jun	Non-executive Director	A, B
Lui Ting Cheong Alexander	Non-executive Director	A, B
Sha Zhenquan	Independent Non-executive Director	A, B
Chan Kam Kwan Jason	Independent Non-executive Director	A, B
Chung Wing Yin	Independent Non-executive Director	A, B
Chung Kwok Nam	Independent Non-executive Director	A, B

A: reading materials in relation to the update of the rules and regulations, and director's duties and responsibilities
B: attending training organised by professional bodies

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2021.

BOARD AND BOARD COMMITTEE MEETINGS

The Board meets at least four times each year and more as required. Directors may participate either in person or through electronic means of communication. The Chairlady met at least once annually with the non-executive Directors and independent non-executive Directors without the presence of the executive Directors.

Generally, the Board will determine the date of the following year's regular meetings on the last regular physical meeting during the year so as to ensure that all the Directors can schedule their respective timetable with an aim to allocate time to attend the meetings. The Company will also provide all the Directors with at least 14 working days' notice in respect of holding regular Board meetings. For other Board and Board committee meetings, notice will be given within a reasonable time. The company secretary will follow the instruction from the Chairlady to circulate the draft Board meeting agenda to all Directors for their perusal and comment 21 days before the meeting date. The Board meeting agenda will be signed and issued by the company secretary only after incorporating all comments from the Directors (if any). Meeting documents will normally be delivered to all Directors 3 days before the meeting date, so as to ensure they are fully informed before the meeting.

Any matter involving material conflict of interest of substantial shareholders or Directors shall be subject to the consideration and approval by the Board members personally attending a Board meeting, or to be implemented and dealt with by a designated Board committee. Directors who have interest may attend a meeting but shall not be counted towards the quorum and Directors who have interest shall abstain from voting on the relevant matter. All Directors can require the company secretary to provide advice and service on relevant aspects, including the follow-up of or the provision of support to any matter; ensuring the Board procedures and all applicable rules and regulations are complied with.

The management will submit relevant reports and report the content to the Directors on every quarterly Board meeting, and will also submit last month's report on relevant financial and operational data of the Group every month, and other reports required by the Board from time to time to the Directors for their perusal and comment. The management will also give detailed explanation to any enquiry made by the Directors. Therefore, the Board may make informed assessment in respect of the financial and other information submitted to them for their approval.

The meeting minutes of the Board and its committees are drafted and kept by the company secretary. All meeting minutes will set out in detail the matters considered and decisions made at the meetings, including, among others, any queries made or views expressed by the Directors. Generally, the company secretary will distribute the first draft of the meeting minutes to all the relevant attending Directors for their comment within 14 working days after the end of the meetings of the Board and its committees. Having incorporated the comments of the Directors (if any), the finalised version of the meeting minutes signed by the chairperson of such meetings will be distributed by the company secretary to all relevant attending Directors for record-keeping purpose.

Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. Independent non-executive directors and other non-executive directors, as equal board members, have given the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

The functions of non-executive directors include: (i) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (ii) taking the lead where potential conflicts of interests arise; (iii) serving on the audit, remuneration, nomination and other governance committees, if invited; and (iv) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

All the executive Directors and the independent non-executive Directors have allocated a reasonable amount of time to follow and deal with various affairs of the Company during the year and have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

During the year, the Board held a total of 5 meetings. Each Director's attendance record is set out as follow:

	Number of attendance/meeting held in 2021					
Name of Directors	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General meeting
Lee Wing Yee Loretta	5/5	—	—	—	1/1	1/1
Lai Kin Man	5/5	—	—	—	—	1/1
Yuan Guozhen	5/5	—	—	—	—	1/1
Lai Chun Tung	5/5	—	—	—	—	1/1
Feng Jun	4/5	—	—	—	—	1/1
Lui Ting Cheong Alexander	4/5	2/2	—	—	—	1/1
Sha Zhenquan	5/5	2/2	1/1	1/1	1/1	1/1
Chan Kam Kwan Jason	5/5	2/2	1/1	1/1	1/1	1/1
Chung Wing Yin	5/5	2/2	1/1	1/1	1/1	1/1
Chung Kwok Nam	5/5	—	—	—	—	1/1

THE COMMITTEES OF THE BOARD

The Board of the Company has established 5 committees namely the audit committee, the corporate governance committee, the nomination committee, the remuneration committee and the strategy and sustainability committee. Except for the strategy and sustainability committee which is chaired by the executive Director and consists of non-executive Director and independent non-executive Director as members, the respective chairperson and majority of the members of each of the other committees are independent non-executive Directors. Terms of reference of each of the committees are published on the corporate website (www.canvestenvironment.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk), and will be amended by the Board from time to time as and when appropriate.

AUDIT COMMITTEE

The Company has set up an audit committee in compliance with rule 3.21 of the Listing Rules. The members of the audit committee comprise Mr. Chan Kam Kwan Jason, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason.

The audit committee meets the external auditors regularly to discuss any area of concern during the audit. The audit committee shall review the interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

The primary duties of the audit committee are to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group and review and monitor the Company's compliance with the Company's whistleblowing policy.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2021.

During the year, the audit committee held 2 meetings (in March and August 2021), the agenda of which is set out below:

— Reviewing annual results of 2020, annual report of 2020, interim results of 2021 and interim report of 2021;

— Reviewing audit and review works reports of the external auditor and discussing key audit matters with external auditor;

— Discussing and reviewing internal audit report and effectiveness of the internal control system;

— Reviewing the significant accounting policy and the impact of the adoption of new financial reporting standards;

— Considering the re-appointment of external auditors of the Company and its independence; and

— Reviewing the resources of accounting and financial reporting functions of the Group.

The audit committee and the Board have no disagreement in relation to the recommendation of the re-appointment of PricewaterhouseCoopers as the external auditor.

EXTERNAL AUDITOR

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2021 AGM and there was no change of the auditors of the Company for the preceding three years. For the year ended 31 December 2021, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2021 **HK$'000**	2020 HK$'000
Fee for audit services	**3,000**	3,000
Fee for non-audit services — tax advisory services	**—**	923

REMUNERATION COMMITTEE

The Company has set up a remuneration committee in compliance with rule 3.25 of the Listing Rules. The members of the remuneration committee comprise Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason and Mr. Chung Wing Yin, and is chaired by Professor Sha Zhenquan.

Main duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) recommending the terms of the specific remuneration package of each executive Director and senior management to the Board; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme; (v) making recommendations to the board on the remuneration of non-executive directors; (vi) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (vii) reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (viii) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate. No Director should be involved in deciding his/her own remuneration.

During the year, the remuneration committee held a meeting in March, the agenda of which is set out below:

— Reviewing the remuneration adjustments of senior management in 2021;

— Determining the policy for the remuneration of executive Directors, confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2020; and

— Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2021.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2021 is set out below:

Remuneration	Number of persons
HK$1,000,001 to HK$2,000,000	4
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	1

NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference in compliance with the CG Code. The nomination committee comprise Mr. Chung Wing Yi, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason and is chaired by Mr. Chung Wing Yin.

The primary duties of the nomination committee include, but are not limited to, (i) reviewing the structure, size and diversity (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (ii) making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairlady and the chief executive officer; (iii) identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and (iv) assessing the independence of independent non-executive Directors.

NOMINATION PROCEDURES AND PROCESS

The secretary of the nomination committee shall call a meeting of the nomination committee, and invite nominations of candidates from members of the Board if any, for consideration by the nomination committee prior to its meeting. The nomination committee may also put forward candidates who are not nominated by members of the Board.

- For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.

- For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

- A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the Listing Rules.

- A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his or her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as may be considered relevant to his or her proposed election; and (ii) the written consent by that person to the publication of his or her personal data provided pursuant to (i) immediately above.

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any reappointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the nomination committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effectiveness in carrying out the duties by the board which, in particular, are set out as follows:

(i) participating in Board meetings to bring an independent judgment on issues of corporate strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(ii) taking the lead where potential conflicts of interests arise;

(iii) serving on the audit committee, the remuneration committee and the nomination committee (in the case of candidate being a non-executive Director) and other relevant Board committees, if invited;

(iv) bringing a range of business and financial experience to the Board or any other committees by his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board meetings or meetings of any committees;

(v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(vi) ensuring that the nomination committee on which he or she serves to perform their powers and functions conferred on them by the Board; and

(vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director as required under rule 3.10(2) of the Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy, which sets out the approach to achieve diversity of the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board would ensure that appropriate balance of gender diversity on the Board is achieved with reference to stakeholders' expectation and international and local recommended best practices. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different backgrounds, and in line with development strategies of the Group.

The Board delegated certain duties under the board diversity policy to the nomination committee of the Company. The nomination committee will discuss and review the necessity to set any measurable objectives for implementing the board diversity policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The nomination committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

The current Board composition was also evaluated to, among other things, the age, gender, cultural and educational background and professional experience of each Directors against the Company's business model and specific needs.

An analysis of the current Board composition is set out in the following chart:

<table>
<tr><th></th><th colspan="10">Number of Director</th></tr>
<tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr>
<tr><td>Gender</td><td>Female</td><td colspan="9">Male</td></tr>
<tr><td>Designation</td><td colspan="4">Executive Directors</td><td colspan="2">Non-executive Directors</td><td colspan="4">Independent Non-executive Directors</td></tr>
<tr><td>Age Group</td><td colspan="3">40–45</td><td colspan="3">46–50</td><td colspan="2">51–60</td><td colspan="2">61–70</td></tr>
<tr><td>Skill/Experience</td><td colspan="5">Experience in project development and general management</td><td colspan="2">Extensive experience in securities and investment industry</td><td colspan="2">Extensive experience in accounts and financial services</td><td>Qualified lawyer</td></tr>
<tr><td>Length of Services</td><td colspan="2">Less than 5 years</td><td colspan="6">Less than 7 years</td><td colspan="2">Less than 8 years</td></tr>
</table>

During the year, the nomination committee held a meeting in March and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Mr. Yuan Guozhen, Mr. CT Lai, Professor Sha Zhenquan and Mr. Chung Wing Yin, and advising the Board on the re-election of such retiring Directors at the 2021 AGM. Also, the nomination committee reviewed the structure, size and composition of the Board and assessed the independence of independent non-executive Directors.

CORPORATE GOVERNANCE COMMITTEE

The members of the corporate governance committee comprise Mr. Chan Kam Kwan Jason, Ms. Loretta Lee, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason.

The corporate governance functions are performed by the corporate governance committee, which was delegated by the Board. The corporate governance functions are (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; (iv) to develop and review the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters; (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and (vi) to consider any other topics as determined by the Board.

During the year, the corporate governance committee held a meeting in March and the agenda was mainly to determine the policy for the corporate governance, to review the training record of the Directors and compliance with the CG Code and disclosure in the Corporate Governance Report.

STRATEGY AND SUSTAINABILITY COMMITTEE

The strategy and sustainability committee was established on 25 January 2022. The members of the strategy and sustainability committee comprise Mr. CT Lai, Mr. Lui Ting Cheong Alexander and Professor Sha Zhenquan, and is chaired by Mr. CT Lai.

The duties of the Committee shall be: (a) to conduct research and make recommendations on the Group's business strategy, sustainable development approach and related policies in the area of sustainable development; (b) to guide, evaluate, oversee and continuously improve the culture, management framework, affairs, risk management and capacity building of the Group in the areas of environmental and social responsibility and sustainability, and to provide advice and make recommendations to the Board on related work; (c) to identify, assess, manage and respond to the significant issues related to the environmental, social and governance (ESG) and sustainability, and where appropriate, to provide advice and make recommendations to the Board; (d) to monitor completeness of the Company's Sustainability Report, and to review the significant judgements in the Sustainability Report. In reviewing the Sustainability Report, the Committee should focus particularly on: (i) any changes in the policies and practices on Sustainability Report; (ii) major judgmental areas; (iii) significant adjustments resulting from internal audit or third-party verification; (iv) the going concern assumptions and any qualifications; (v) with reference to the principal international environmental, social and corporate governance code; (vi) compliance with the environmental, social and governance reporting guidelines as set out in the Listing Rules and legal requirements; (e) to review the Group's sustainability and ESG strategies and progress in reporting performance against ESG-related targets and indicators; (f) to report to the Board on the matters specified in the applicable provisions of the Environmental, Social and Governance Reporting Guidelines in Appendix 27 to the Listing Rules; and (g) to consider other topics, as defined by the Board from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

In view of the inevitable nature of certain risks associated with our business and industry, our risk management and internal control systems are designed to manage rather than eliminate unavoidable risks of failure to achieve the Group's business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board is responsible for formulating proper internal control and risk management systems for the Group, and reviewing its effectiveness annually. The system of internal controls covers the areas of financial, accounting, operational, compliance and risk management of the Group's business. During the year, the Board reviewed the effectiveness of the internal control and risk management system and considered it is effective and adequate. The internal audit department of the Group works with the external professional consultancy company accountable and reports directly to the audit committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and senior management in complying with the regulatory requirements and guidelines, reviewing the continuing connected transaction of the Group, so as to improve the efficiency of the internal control system. Through continuous internal audit and reporting from time to time, the internal audit department will ensure the effective operation of the internal control system.

During the year, the audit committee reviewed and discussed the reports submitted by the internal audit department and external professional consultancy company and reported the results to the Board. Should any material fault or any material weakness in monitoring be found, the internal audit department and external professional consultancy company will report the same to the audit committee in timely manner. During the year, the audit committee and the Board, with the confirmation by the management as to the effectiveness of the system for the year ended 31 December 2021, considered that the internal control system of the Group worked effectively.

For risk management, the Board and the audit committee will review the Group's finance, operation and compliance, and risk management corresponding to the changes in its business and to cope with by discussing and formulating strategies, or measures. During the year, the audit committee also reviewed the risk management policy and the risk management report and reported the same to the Board.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made;
- the Group strictly prohibits unauthorised use of confidential or inside information;
- the Group has also implemented procedures to guard against possible mishandling of inside information within the Group including pre-clearance on dealing in the securities of the Company by designated Directors and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees; and
- the Group keeps the Directors and employees appraised of the latest regulatory updates on disclosure requirements of inside information.

DIRECTORS RESPONSIBILITY IN FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 49 of this annual report.

SHAREHOLDERS' RIGHTS

Pursuant to article 12.3 of the amended and restated articles of association, general meetings of the Company shall be convened on the written requisition of any two or more Shareholders of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Pursuant to section 615 of the Companies Ordinance, Shareholders may request the Company to move a resolution at the annual general meeting. The request should be sent to the Company in hard copy form or in electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person or persons making it and must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate or (ii) if later, the time at which notice is given of that meeting and made by:

(a) the Shareholders representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or

(b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

CORPORATE GOVERNANCE REPORT

Shareholder(s) who wishes to propose a person (other than himself/herself) for election as a director of the Company at the general meeting or wishes to make enquiry shall lodge a written notice at the Company's Hong Kong office at Unit 6803B, 68/F., International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for the attention of the company secretary of the Company.

The written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the contact details and biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules (including other directorships held in listed public companies in the last three (3) years and other major appointments and professional qualifications) and be signed by the shareholder concerned and the person be proposed to indicate his/her willingness to be elected and consent to the publication of his/her personal data.

The minimum length of the period for lodgement of the above notice shall be at least seven (7) days and the period for lodgement of the above notice shall commence no earlier than the despatch of the notice of the general meeting appointed for such election of Director and end no later than seven (7) days prior to the date of such general meeting. The relevant detailed procedures have been published on the Company's corporate website (www.canvestenvironment.com).

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, the Company intends to declare dividends to shareholders every year. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

2021 ANNUAL GENERAL MEETING

At the 2021 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during 2021.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that good communications with the Shareholders is important in order to enable Shareholders and investors to have a better understanding of the businesses of the Group. Therefore, the Company has been reporting the performance and latest development of the Group to Shareholders through various channels and platforms, as follows:

— Apart from publishing the annual reports, interim reports, announcements, and circulars to Shareholders on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk), the Company had also posted onto its website the financial highlights, press release, and the terms of reference of the Board's committees, such that Shareholders can obtain more corporate information from the website of the Company;

— The Company is committed to improve its investor relations. During 2021 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;

— The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 161 in the corporate information of this annual report;

— The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2021 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk); and

— The Company's notice of 2022 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

CONSTITUTIONAL DOCUMENTS

There have been no changes made to the Company's constitutional documents during the year.

In order to provide flexibility to give Shareholders the option of attending general meetings remotely through electronic means if necessary or appropriate, a special resolution for the adoption of a revised set of Memorandum and Articles of Association of the Company ("New Articles") is proposed for consideration and, if thought fit, approval by Shareholders at the forthcoming 2022 AGM. Details of the major changes brought about by the proposed adoption of New Articles are set out in the circular which will be despatched together with this Annual Report.

The amended and restated memorandum and articles of association of the Company are available on the corporate website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkex.com.hk).

THE IMPACT OF THE COVID-19 PANDEMIC

In this challenging environment, all members of the Group took concerted actions to combat the pandemic, including formulation of preventive and control plans, provide guidance to project companies, monitoring the implementation of the safety measures by project companies, centralized procurement and distribution of personal protective equipment and disinfectants at project companies, so as to minimize the adverse impacts. On the other hand, our stable and orderly construction and production activities were evidenced by zero infection cases involving all employees of the Group and contractors, multiple projects commenced operation and operating projects achieved optimistic results.

During the year and up to the date of this annual report, our business operations were not materially affected by the COVID-19 pandemic, and no suspension to the operating projects. The Group will closely monitor and assess the pandemic impacts, and take more proactive measures (wherever appropriate) in times of need. As at the date of this annual report, the Group is unaware that the pandemic has resulted in any material and adverse impact on the consolidated financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS' PROFILE

Executive Directors

Ms. Lee Wing Yee Loretta (李詠怡), aged 47, has been an executive Director and the chairlady of our Company since 2014, and is also a director of certain subsidiaries of the Company. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee has also been a non-executive director of Johnson (Stock Code: 1955) since 2019. Prior to joining our Group, Ms. Lee worked in the finance and human resources department of a private company from 1997 to 2012. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), aged 42, has been an executive Director and the deputy chairman of our Company on since 2014 and is currently a director of certain subsidiaries of the Company. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Prior to founding our Group, Mr. KM Lai was responsible for business development and was also a legal representative and chairman of other private companies from 1998 to 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

Mr. Yuan Guozhen (袁國楨), aged 56, has been as an executive Director of our Company since 2014 and is the Chief Executive Officer of our Group. He is also a director and legal representative of certain subsidiaries of the Company. Mr. Yuan is responsible for executing the overall strategies and managing the daily operation of our Group. Prior to joining our Group, Mr. Yuan served as a general manager of various companies from 1995 to 2014. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in 2009.

Mr. Lai Chun Tung (黎俊東), aged 47, has been an executive Director of our Company since 2014. Mr. CT Lai also assumed the role of a legal representative, chairman, general manager and/or director of various subsidiaries of the Company since 2007. Mr. CT Lai has also worked at private company since 1997 and is currently its executive director and manager. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 10th, 11th and 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), and a member of the 11th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省東莞市委員會) and a standing member of the 12th and the 13th Dongguan Committee of Chinese People's Political Consultative Conference. He resigned as a standing member of Dongguan Committee of Chinese People's Political Consultative Conference in January 2019. He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in 2007 and obtained a DBA degree from IPAG Business School in July 2018. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

Non-executive Directors

Mr. Feng Jun (馮駿), aged 58, is the chief representative of the Shanghai Representative Office of SIHL, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 363) and a chairman and chief executive officer of Shanghai Overseas Company Limited. He was an executive director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK. SG) and listed on the Main Board of Hong Kong Stock Exchange since March 2018 (stock code: 807) from December 2009 to May 2021, a vice president of SIIC Management (Shanghai) Ltd. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics in 1987. He has over 30 years' experience in capital markets operation.

Mr. Lui Ting Cheong Alexander (呂定昌), aged 42, has been a non-executive Director of our Company since 2014. He is a managing director of Olympus Capital Holdings Asia where he co-heads the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since 2008. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in 2001.

Independent Non-executive Directors

Professor Sha Zhenquan (沙振權), aged 62, has been an independent non-executive Director of our Company since 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Sha was engaged as a counselor of Guangdong Province by Guangdong Provincial Government since March 2019. Professor Sha has been an independent non-executive director of China Qinfa Group Limited (中國秦發集團有限公司) (stock code: 866) since September 2018 and Shenzhen Overseas Chinese Town Co., Ltd. (深圳華僑城股份有限公司) (stock code: 000069) since April 2020, a company listed on the Shenzhen Stock Exchange. He was an independent director of Shenzhen Noposion Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215) from December 2009 to December 2015, an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014, an independent director of Dongling International Investment Co., Ltd. (廣州東淩國際投資股份有限公司) (formerly known as Dongling Grain and Oil Co., Ltd. (廣州東淩糧油股份有限公司)) (stock code: 000893) from June 2012 to January 2020, Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319) from August 2013 to August 2019, which are companies listed on the Shenzhen Stock Exchange. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in1982, a master's degree in engineering from South China University of Technology (華南理工大學) in 1991 and a doctor's degree in philosophy from City University of Hong Kong in 2001.

Mr. Chan Kam Kwan Jason (陳錦坤), aged 48, has been an independent non-executive Director of our Company since 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and secretary of Brockman Mining Limited (Stock Code: 0159). He is the company secretary of Frontier Services Group Limited (Stock Code: 0500) and Concord New Energy Group Limited (Stock Code: 0182). He has also been an independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) since 2017. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Mr. Chung Wing Yin (鍾永賢), aged 44 has been an independent non-executive Director of our Company since 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in 2002 and a solicitor of the Supreme Court of England and Wales in 2003, respectively. He is a partner of Chungs Lawyers and has over ten years' experience in legal professional industry. Before founding Chungs Lawyers, Mr. Chung worked at several Hong Kong law firms and focused on general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. He was an independent non-executive director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock Code: 6122) from July 2016 to August 2021. He was an independent non-executive director of CBK Holdings Limited (Stock Code: 8428) from January 2017 to January 2021. Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in 1999 and 2004, respectively. Mr. Chung was appointed as the chairman of the Appeal Tribunal Panel (Buildings Ordinance) by the government of the Hong Kong Special administrative Region in 2018 and he was also appointed as a China Appointed Attesting Officer (Hong Kong) by the Ministry of Justice, the PRC in 2019.

Mr. Chung Kwok Nam (鍾國南), aged 70, has over 40 years' experience in banking and management. He was a zone manager of Industrial & Commercial Bank of China (Asia) Limited ("ICBC Asia") until his retirement in 2013. Before joining ICBC Asia, he was a branch manager of The Hongkong and Shanghai Banking Corporation Limited. He graduated in Pui Chung College in 1971.

Save as disclosed above, there is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 12 of Appendix 16 of the Listing Rules.

SENIOR MANAGEMENT'S PROFILE

Mr. Song Lanqun (宋蘭群), aged 54, joined our Group in 2004 and was appointed as vice president and chief engineer of our Group in 2014. He is also a director of certain subsidiaries of the Company. Mr. Song is responsible for production operation of our Group. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Prior to joining our Group, Mr. Song served as a deputy general manager and chief engineer at a electricity generation company from 1997 to 2004. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in 2004.

Mr. Chen Bo (陳波), aged 46, has been a vice president and chief engineer of our Group since 2014. Mr. Chen joined Kewei in 2009 and China Scivest 2011 as executive deputy general manager and chief engineer. He is also a director of certain subsidiaries of the Company. He is responsible for construction of WTE plants and technology management of our Group. Prior to joining our Group, Mr. Chen was a deputy general manager and chief engineer of certain environmental power generating companies. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in 2000 with a bachelor of engineering degree in thermal power engineering.

Ms. Wong Ling Fong Lisa (王玲芳), aged 48, joined our Group in 2013 as the chief financial officer. She has also been our company secretary since 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong was appointed as a director of Johnson (Stock Code: 1955) in 2018 and was re-designated as a non-executive director in 2019. Prior to joining our Group, she was in charge of the investment department of a private company and was also a financial controller from 2005 to 2012. She worked at KPMG from 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in 1998 with a degree of bachelor of arts in accountancy.

Ms. Guo Huilian (郭惠蓮), aged 52, joined our Group in 2011 and is a vice president of our Group since 2014. She is responsible for the business development, administration and procurement of our Group. She is also a director of certain subsidiaries of the Company. Prior to joining our Group, Ms. Guo carried out managerial function and financial management roles in other private companies from 1998 to 2008. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

Ms. Zhang Xunmei (張洵梅), aged 53, joined our Group in 2009 and is a vice president of our Group since 2014. She is also a director of certain subsidiaries of the Company. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in 2000. Prior to joining our Group, Ms. Zhang served as financial manager and the assistant to the general manager of a private company from 2007 to 2009. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in 1989 with an associate degree (大專學歷) in industrial moulding design.

Mr. Zhao Li (趙立), aged 53, joined our Group in 2015 and was appointed as vice president of our Group and is responsible for the construction of WTE plants of the Group. Prior to joining our Group, Mr. Zhao served as a deputy general manager and chief engineer of a electricity generation company from 2003 to 2014. He graduated from the Wuhan University (武漢大學) in 1990 with a bachelor of engineering degree in thermal power engineering of power plant. He has over 27 years' experience in energy sector.

Mr. Zhang Chao (張超), aged 50, joined our Group in November 2020 and was appointed as vice president. He is responsible for the production safety, legal affairs and operation management of our Group. Prior to joining our Group, Mr. Zhang worked as the executive director and chief executive officer of China Jinjiang Environment Holding Company Limited, the shares of which are listed on the Mainboard of Singapore Stock Exchange (stock code: BWM.SG) and was also a general counsel and deputy general manager of China Energy Conservation and Environmental Protection Group from beforehand. He is the vice-president of China Industrial Energy Conservation and Clean Production Association and has extensive experience in legal professional and energy conservation industry. Mr. Zhang graduated from the China University of Political Science and Law (中國政法大學) with a bachelor of law degree in 1994 and obtained a master's degree in law from the Renmin University of China (中國人民大學) in 2002. He also completed the EMBA programme of Tsinghua University (清華大學) in 2015.

REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

The Company is a limited company incorporated in the Cayman Islands and its principal place of business is at Unit 6803B, 68/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holdings. Its operating subsidiaries are principally engaged in the operation and management of WTE plants, provision of environmental hygiene and related services and integrated smart city management services.

An analysis of the Group's revenue during the year by operating segments is set out in note 5 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in note 14(a) to the consolidated financial statements.

RESULTS AND OVERALL PERFORMANCE

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 72 of this annual report.

Business review of the Group during the year ended 31 December 2021, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 10 to 14 of this annual report. Management discussion and analysis are set out on pages 15 to 31 of this annual report.

DIVIDENDS

The Board has proposed the declaration of a final dividend of HK5.8 cents per Share for the year ended 31 December 2021 (2020: HK4.9 cents per Share). If approved by shareholders, the proposed final dividend are expected to be paid on Friday, 22 July 2022 to Shareholders whose names appear on the register of members of the Company on Monday, 27 June 2022. Total dividend of 2021 was HK10.8 cents per Share.

SHARES ISSUED IN THE YEAR

Details of the Shares issued in the year ended 31 December 2021 are set out in note 25 to the consolidated financial statements.

As at 31 December 2021, the annual results announcement date (i.e. 22 March 2022) and the date of this annual report, the Company had 2,439,541,169 Shares in issue.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 76 to 77 of this annual report.

As at 31 December 2021, the reserves of the Company available for distribution to shareholders amounted to HK$2,786.8 million (2020: HK$2,777.2 million).

CHARITABLE DONATIONS

The total amount of charitable donations made by the Group during the year ended 31 December 2021 was HK$4.5 million.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, the property, plant and equipment of the Group amounted to approximately HK$1,331.7 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2021 are set out in note 27 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2021 are set out in note 11 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 2.22 to the consolidated financial statements. The contributions by the Group are expensed as incurred and forfeited contributions under the defined contribution scheme may be used by the Group to reduce the existing level of contributions.

FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2021 and the 5 preceding financial years is set out on pages 158 to 159 of this annual report.

DIRECTORS

The list of Directors of the Board is set out on page 32 of this annual report and their biographical details are set out on pages 46 to 48 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Ms. Loretta Lee, Mr. Lui Ting Cheong Alexander, Mr. Chan Kam Kwan Jason and Mr. Chung Kwok Nam will retire at the 2022 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The Company has received from each independent non-executive Director a confirmation of his independence pursuant to the rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Director were independent.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTOR UNDER RULES 13.51B(1) OF THE LISTING RULES

Below are the changes of Director's information during the year are set out below:

Mr. Feng Jun, a non-executive Director of the Company, ceased to be the executive Director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK. SG) and listed on the Main Board of Hong Kong Stock Exchange since March 2018 (Stock code: 807), with effect from 3 May 2021.

Mr. Chung Wing Yin, an independent non-executive Director of the Company, ceased to be an independent non-executive Director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock code: 6122) on 13 August 2021.

Save as disclosed above, there is no other material information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 48 to 49 of this annual report.

CONTINUING CONNECTED TRANSACTION

On 12 July 2018, Yue Xing, a company jointly-owned by Mr. CT Lai and his associate, as landlord, and the Company, as tenant, entered into a leasing framework agreement ("YX Leasing Framework Agreement") in relation to the leasing of Yue Xing's 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).

Yue Xing is a company jointly-owned by Mr. CT Lai, an executive Director of the Company and his associate, and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. The annual rental income ("Annual Cap(s)") paid for the period from 13 July 2018 to 31 December 2018 is RMB3,500,000. The Annual Caps for the financial years ending 31 December 2019 and 2020 are RMB7,000,000 and RMB7,000,000 respectively, and the Annual Cap for the period from 1 January 2021 to 30 June 2021 is RMB3,500,000. As the business of the Group continues to develop, it is still necessary to continue to lease the offices in order to facilitate the Group's operations and continuing expansion. On 3 June 2021, the Company and Yue Xing entered into the supplemental leasing framework agreement ("YX Supplemental Leasing Framework Agreement") to renew and revise the annual caps in the YX Leasing Framework Agreement for a term of three years commencing from 1 July 2021 and will expire on 30 June 2024 (both days inclusive). The annual caps for the transactions for the period from 1 July 2021 to 31 December 2021, for the financial years ending 31 December 2022 and 2023 and for the period from 1 January 2024 to 30 June 2024 are RMB5,000,000, RMB10,000,000, RMB10,000,000 and RMB5,000,000, respectively. Please refer to the announcement of the Company dated 3 June 2021 for further details. For the year ended 31 December 2021, the rent paid by the Group to Yue Xing was HK$7,886,000 (2020: HK7,028,000). The Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules.

The internal audit of the Group has reviewed the 2021 continuing connected transactions and the relevant internal control procedures in respect of the negotiation, review, approval, agreement, management, reporting and monitoring process of the 2021 continuing connected transactions, and is of the view that the 2021 continuing connected transactions were conducted in accordance with the terms of the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement and in compliance with the internal control procedures.

All the independent non-executive Directors of the Company, having reviewed the 2021 continuing connected transactions under the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement and the findings provided by the Group's internal audit, confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the continuing connected transaction carried out under the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has confirmed that the auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforementioned continuing connected transaction in accordance with rule 14A.56 of the Listing Rules and reported the results in this letter to the Board. A copy of the auditor's letter had been provided by the Company to the Hong Kong Stock Exchange.

The continuing connected transaction is subject to reporting, annual review and announcement requirements but exempted from circular and independent Shareholders' approval requirements pursuant to rule 14A.76(2) of the Listing Rules. Please refer to the announcements of the Company dated 12 July 2018 and 3 June 2021 for further details.

On 7 February 2022, in order to facilitate our operations and continuing expansion and better govern the portfolio of properties available for leasing by the Group from companies controlled by Mr. CT Lai (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement. On the same day, the Company and Sanyang entered into the Sanyang Leasing Framework Agreement, pursuant to which Sanyang agreed to lease certain commercial properties held by itself and companies controlled by it (including that of Yue Xing) to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB10,800,000, RMB10,800,000, RMB10,800,000 and RMB900,000, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details.

On 7 February 2022, the Company and Canvest ECT entered into the MAS Framework Agreement, pursuant to which Canvest ECT has been engaged to provide monitoring and audit services for the routine maintenance works for the machineries operated by the Group in the Group's WTE plants for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB6,500,000, RMB7,000,000, RMB7,500,000 and RMB670,000, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details.

On 9 February 2022, the Group entered into the operations management agreement with SIIC Baojingang, pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE Project. The annual caps for the transactions for the financial years ending 31 December 2022 to 2025 are RMB46,000,000, RMB46,000,000, RMB46,000,000 and RMB46,000,000, respectively. Please refer to the announcements of the Company dated 9 February 2022 and 11 February 2022 for further details.

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

DIVIDEND POLICY

Details of the dividend policy adopted by the Company is set out in the corporate governance report on pages 32 to 45 of this annual report.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. In 2021, 500,000 Share options had Lapsed and 2,500,000 share options remain outstanding as at 31 December 2021. Details of the movement in share options of the Company during the year ended 31 December 2021 are set out in note 25(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	To recognise, motivate and provide incentives to eligible participants who make contributions to the Group: 1. To motivate the eligible participants to optimise their performance and efficiency; and 2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: 1. Any full-time or part-time employees of any member of the Group; 2. Any consultant or advisor of any member of the Group; 3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group; 4. Any substantial shareholder of any member of the Group; and 5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2021, 22 March 2022 and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.08%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2021, the annual results announcement date (i.e. 22 March 2022) and as at the date of this annual report, respectively.

Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
The minimum period for which an option must be held before it can be exercised	A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any option granted under the Share Option Scheme can be exercised. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.
The amount payable on application or acceptance of the option, and the period within which payments or calls must or may be made, or loans for such purposed must be paid	Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.
The basis of determining the exercise price	The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined solely by the Board and notified to a grantee and shall be at least the higher of: 1. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; 2. The average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and 3. The nominal value of a Share on the date of grant of the option.
Validity of the Share Option Scheme	10 years, from 7 December 2014 to 6 December 2024.

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, 2015–2020 annual report, 2021 interim report and note 25(c) to the consolidated financial statements for further details.

REPORT OF THE DIRECTORS

Name or category of participant	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2021	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Directors									
Ms. Loretta Lee	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. Yuan Guozhen	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. CT Lai	250,000	—	—	—	—	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Subtotal	750,000	—	—	—	—	750,000			
Other employees working under continuous employment contracts									
In aggregate	2,250,000	—	—	500,000	—	1,750,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	3,000,000	—	—	500,000	—	2,500,000			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

*** The closing price of the Shares immediately before the date of grant of such share options was HK$4.39 per share.

The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.08%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2021, the annual results announcement date (i.e. 22 March 2022) and as at the date of this annual report, respectively.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 3 May 2019 to recognise the contributions by certain employees, consultants or advisers (collectively, the "Eligible Persons"). Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. As at the date of this annual report, the remaining life of the Share Award Scheme is approximately 85 months. The maximum number of Shares which may be awarded to an Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. Please refer to the announcement of the Company dated 3 May 2019 for further details.

On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares from Wise Power Investment Limited for the purpose of the Share Award Scheme. The Shares are held by the Trustee for the benefit of the Eligible Persons under the Trust. No Shares was granted or vested under Share Award Scheme as at 31 December 2021, the annual results announcement date (i.e. 22 March 2022) and the date of this annual report. Please refer to the announcement of the Company dated 17 July 2019 for further details.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(1) Long positions in shares of the Company

	Number of Shares/Underlying Shares Held						
Name of Director	Personal interest	Number of underlying shares held under equity derivatives[2]	Spouse interests	Founder of a discretionary trust[1]	Beneficiary of trust	Total interests[4]	Total interests as % of the issued share capital
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	—	1,337,491,837	54.8%
Mr. KM Lai	—	—	10,000,000	1,335,615,837	—	1,345,615,837	55.2%
Mr. Yuan Guozhen	—	250,000	357,000	—	—	607,000	0.02%
Mr. CT Lai	—	250,000[3]	1,626,000	—	1,335,615,837	1,337,491,837	54.8%
Professor Sha Zhenquan	100,000	—	—	—	—	100,000	0.0%
Mr. Chung Kwok Nam	80,000	—	—	—	—	80,000	0.0%

Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

2. Details of share options held by the directors are shown in page 56.

3. These represent the 250,000 share options held by Mr. CT Lai.

4. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

(2) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Approximate percentage of interest
Ms. Loretta Lee (Note 1)	Best Approach	100.0%
Mr. KM Lai (Note 1)	Best Approach	100.0%

Note:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

So far as is known to the Directors or chief executives of the Company, as at 31 December 2021, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO; or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,335,615,837[(1)]	—	54.7%
VISTA Co	Interest of controlled corporation	1,335,615,837[(2)]	—	54.7%
Century Rise	Interest of controlled corporation	1,335,615,837[(3)]	—	54.7%
Best Approach	Beneficial owner	1,335,615,837	—	54.7%
AEP Green Power, Limited	Beneficial owner	138,305,678	—	5.7%
SIHL	Interest in controlled corporation	475,251,000[(4)]	—	19.5%
Shanghai Industrial Investment (Holdings) Company Limited	Interest in controlled corporation	475,251,000[(4)]	—	19.5%
True Victor	Beneficial owner	475,251,000[(4)]	—	19.5%

Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

2. VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise and Best Approach for the purposes of the SFO.

3. Century Rise holds 45% of the issued share capital of Best Approach. Therefore, Century Rise is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.

4. True Victor is an indirect wholly-owned subsidiary of SIHL.

As at 31 December 2021, the Company had not been notified of any short positions being held by any substantial shareholders in the Shares or underlying Shares.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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. 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. 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. 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.

INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 31 December 2021, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

EMPLOYEES AND REMUNERATION POLICIES OF THE GROUP

As at 31 December 2021, the Group had a total of 3,976 employees. The related employees' costs for the year ended 31 December 2021 amounted to HK$489.0 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Apart from benchmarking against the market, the Company also looks at individual competency, contributions and the affordability to the Company in determining the level of remuneration for each Director. Benefit schemes of the Company are also in place for the Directors. The Group regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of Directors' remuneration and the five highest paid individuals of the Group during 2021 are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During 2021, the Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

As disclosed in the prospectus of the Company dated 15 December 2014, Mr. KM Lai, Ms. Loretta Lee, VISTA Co, Century Rise and Best Approach (the "Controlling Shareholders"), have undertaken to avoid being engaged in or taking part in the business which may compete with the principal business of the Company.

The independent non-executive Directors have reviewed the compliance of the Controlling Shareholders with the deed of non-competition dated 10 December 2014 (the "Non-competition Deed"). The Controlling Shareholders of the Company have confirmed to the Company that they have complied with the non-competition undertaking under the Non-competition Deed in the 2021.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed under the headings "Continuing Connected Transaction", no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the Company's articles of association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Since the Listing Date and to date, the Company has purchased the Directors and Officers Liability Insurance for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details disclosed under the headings "Share Option Scheme", "Share Award Scheme" and "Directors' interests in shares, underlying shares and short positions" in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits (2020: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the largest and five largest customers of the Group accounted for less than 13% and 45% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 18% and 48% of purchases of the Group for the year, respectively.

None of the Directors, their respective close associates or any Shareholders (who are interested in more than 5% of the issued share capital of the Company to the knowledge of the Directors) had any interests in any of the five largest customers or suppliers of the Group.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that our employees, customers, business associates are keys to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business associates and supporting our community.

Employees

The Company places significant emphasis on human capital. The Company provides a safe working environment, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance.

Customers

We value the feedback from the customers through daily communication and regular meetings. The Company will coordinate with the major customers, China Southern Power Grid and the State Grid for regular maintenance with an aim to minimize the impact to the grid. Moreover, we will address to the concern or request raised by the grid companies in a timely manner and in accordance with the appropriate standards.

Suppliers

We treasure the long term relationship with the suppliers and proactively collaborate with our suppliers to deliver sustainable products to the community. As such, we will adopt tender processes for our major contracts and suppliers are contractually required to adhere to our quality control measures and standards.

Local regulatory authorities

To better serve the community, we will have regular meetings with relevant regulatory authorities to report our latest operation, with an aim to provide the latest update to the public.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PRE-EMPTIVE RIGHTS

No provision has been made in the memorandum of association or articles of association of the Company or under the laws of Cayman Islands in respect of pre-emptive rights, as such, the Company shall offer pro rata new Shares (if any) to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 9 January 2020, 1,038,000 Shares, which the Company repurchased in November 2019, were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021 and 2020.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 32 to 45 of this annual report.

RISKS AND UNCERTAINTIES

The major risks and uncertainties faced by the Group are set out in the management and discussion analysis on page 30 to 31 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

Discussions of environmental policies of the Group and its performance for the year ended 31 December 2021 are set out in the Environmental, Social and Governance Report, which will be issued on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange (www.hkexnews.hk) separately within the period as required by the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements. The Group has been allocating resources to ensure ongoing compliance with laws, rules and regulations and maintain working relationships with regulators effectively through effective communications. During the year, the Group has complied, to the best of our knowledge, with all relevant laws, rules and regulations that have a significant impact on the Company.

PUBLIC FLOAT

Based on the information that is publicly 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 being held by the public at all times during 2021 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2021, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 35 to the consolidated financial statements of this annual report. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions under the Listing Rules, they are in compliance with the applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules. Other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

MAJOR PROPERTIES HELD BY THE GROUP

Major properties which are 100% held by the Group is located at 28/F and 29/F, No. 9 Des Voeux Road West, Hong Kong.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2022 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2022 AGM.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the post balance sheet events are stated under section Management Discussion and Analysis of this annual report.

On behalf of the Board

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2022

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 72 to 157, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- recognition of construction revenue arising from service concession arrangements; and
- assessment of the expected credit losses of trade receivables and receivables under service concession arrangements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction revenue arising from service concession arrangements Refer to notes 4 and 5 to the consolidated financial statements. The Group entered into a number of service concession arrangements with local government authorities in respect of its waste-to-energy projects. These arrangements are accounted for with reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements. The Group acts as a service provider which constructs infrastructure used to provide waste-to-energy services and operates and maintains those infrastructure for a specified period of time under the respective service concession arrangements.	In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We obtained an understanding of the management's internal controls over the business process of recognition of construction revenue arising from service concession arrangements, evaluated and validated key controls. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with the accounting estimates for construction revenue arising from service concession arrangements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue from the construction services is recognised over time with reference to the construction costs incurred as a percentage of the total estimated construction costs for each contract plus an expected mark-up margin. The Group recognised construction revenue of HK$3,515,339,000 from these arrangements for the year ended 31 December 2021, representing 52% of the Group's total revenue. We focused on auditing the construction revenue arising from service concession arrangements because the estimation of total construction costs, progress towards complete satisfaction of performance obligation and mark-up margin of the Group's projects are subject to high degree of estimation uncertainty and subjectivity in management's judgement.	We performed an evaluation of the judgements made by management, discussed the status of projects with management and examined project documentation including status reports prepared internally by project managers or externally by contractors as applicable. We compared the estimated construction costs for each project under construction phase with reference to the actual costs incurred for completed projects of comparable energy output and combustion capacity. We also circulated independent confirmations to major contractors to confirm the actual costs incurred on a sample basis. The Group has engaged an independent valuer to assist management to estimate the mark-up margin, with reference to gross margin of listed companies which are engaged in similar business of the Group. We assessed the competency, capability and objectivity of the independent valuer by considering its qualifications, relevant experience and relationship with the Group. We also discussed with the independent valuer and management to understand the basis of selection and evaluated the reasonableness of the mark-up margin by crosschecking to publicly available financial information of those comparable companies. Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of construction revenue arising from service concession arrangements are supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables and receivables under service concession arrangements Refer to notes 3.1(ii), 4, 20 and 21 to the consolidated financial statements. As at 31 December 2021, the gross carrying amount of trade receivables and receivables under service concession arrangements amounted to HK$1,066,869,000 and HK$2,637,579,000, which accounted for 4% and 11% of the Group's total assets, respectively. Management has assessed the expected credit losses and loss allowance of HK$5,933,000 and HK$12,778,000 were made against the trade receivables and receivables under service concession arrangements, respectively. The identification and determination of the expected credit losses of trade receivables and receivables under service concession arrangements require the application of critical judgement by management. The Group recognised the loss allowance based on expected credit losses, which is subject to high degree of estimation uncertainty. Trade receivables and receivables under service concession arrangements were grouped by reference to the credit risk characteristics and assessed collectively for credit loss allowance. When measuring expected credit loss, the Group considered the credit loss incurred in the past, and adjusted by taking into consideration current conditions and forward looking factors. We focused on this area because of the magnitude of gross trade receivables and receivables under service concession arrangements balances at the year end date and the significant management judgement involved in the estimation of the credit loss allowance.	In auditing the recognition of loss allowance of trade receivables and receivables under service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We obtained an understanding of the management's internal controls over the business process of recognition of loss allowance of trade receivables and receivables under service concession arrangements, evaluated and validated key controls. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with the accounting estimates for loss allowance of trade receivables and receivables under service concession arrangements. We assessed the appropriateness of the grouping and the credit loss provisioning methodology adopted by management, discussed with management, for the details of their evaluations and challenged the underlying information referenced by management, which included comparing with external evidence obtained from independent research on public available information, as well as forward looking estimates, performing ageing analysis, examining the historical settlement records and testing of the subsequent settlements of the customers. We checked the mathematical accuracy of the calculation of the provision for loss allowance. Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of loss allowance on trade receivables and receivables under service concession arrangements are supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	**2021 HK$'000**	2020 HK$'000
Revenue	5	**6,794,571**	4,987,906
Cost of sales	6	**(4,684,292)**	(3,442,782)
Gross profit		**2,110,279**	1,545,124
General and administrative expenses	6	**(517,952)**	(325,363)
Other income	7	**237,809**	211,828
Other gains, net	8	**32,384**	47,767
Operating profit		**1,862,520**	1,479,356
Interest income	11	**11,854**	10,747
Interest expense	11	**(423,462)**	(351,389)
Interest expense, net		**(411,608)**	(340,642)
Share of net profits of associates and joint ventures	18	**96,498**	118,195
Profit before income tax		**1,547,410**	1,256,909
Income tax expense	12	**(228,243)**	(199,726)
Profit for the year		**1,319,167**	1,057,183
Attributable to:			
Equity holders of the Company		**1,321,995**	1,053,790
Non-controlling interests		**(2,828)**	3,393
Profit for the year		**1,319,167**	1,057,183
Earnings per share			
— basic (expressed in HK cents per share)	13	**54.4**	43.4
— diluted (expressed in HK cents per share)	13	**54.4**	43.4

The notes on pages 80 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		**1,319,167**	1,057,183
Other comprehensive income/(loss), net of tax:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**281,480**	464,566
Release of exchange differences upon disposal of a subsidiary	37	**(336)**	—
Other comprehensive income for the year, net of tax		**281,144**	464,566
Total comprehensive income for the year		**1,600,311**	1,521,749
Attributable to:			
Equity holders of the Company		**1,592,439**	1,501,624
Non-controlling interests		**7,872**	20,125
Total comprehensive income for the year		**1,600,311**	1,521,749

The notes on pages 80 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	**2021 HK$'000**	2020 HK$'000
ASSETS			
Non-current assets			
Right-of-use assets	15	**397,689**	165,363
Property, plant and equipment	16	**1,331,683**	1,313,342
Intangible assets	17	**13,317,241**	10,498,427
Interests in associates and joint ventures	18	**1,389,711**	1,184,971
Deferred tax asset	19	**—**	4,045
Long-term deposits and prepayments	20	**1,629,637**	650,389
Receivables under service concession arrangements	21	**2,361,965**	1,836,244
		20,427,926	15,652,781
Current assets			
Inventories	22	**22,321**	15,353
Other receivables, deposits and prepayments	20	**913,729**	674,631
Receivables under service concession arrangements	21	**262,836**	164,189
Trade and bills receivables	20	**1,062,020**	699,031
Restricted deposits	23	**46,830**	46,252
Cash and cash equivalents	24	**1,704,008**	1,769,598
		4,011,744	3,369,054
Total assets		**24,439,670**	19,021,835
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	**24,395**	24,395
Share premium	25	**2,640,551**	2,640,551
Other reserves	25	**1,469,618**	1,027,163
Retained earnings		**4,350,966**	3,442,497
		8,485,530	7,134,606
Non-controlling interests		**400,405**	284,815
Total equity		**8,885,935**	7,419,421

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	27	**11,279,473**	8,357,650
Lease liabilities	28	**2,751**	—
Deferred income tax liabilities	19	**857,969**	728,722
Deferred government grants	29	**224,716**	202,505
Other non-current liabilities		**8,755**	6,864
		12,373,664	9,295,741
Current liabilities			
Trade and other payables	30	**1,699,144**	1,418,584
Current income tax liabilities		**40,908**	55,659
Bank borrowings	27	**1,424,402**	822,634
Lease liabilities	28	**6,493**	1,073
Deferred government grants	29	**9,124**	8,723
		3,180,071	2,306,673
Total liabilities		**15,553,735**	11,602,414
Total equity and liabilities		**24,439,670**	19,021,835
Net current assets		**831,673**	1,062,381
Total assets less current liabilities		**21,259,599**	16,715,162

The consolidated financial statements on pages 72 to 157 were approved by the Board of Directors on 22 March 2022 and were signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

The notes on pages 80 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to equity holders of the Company												
	Note	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25)	Treasury shares HK$'000 (Note 25)	Shares held under share award scheme HK$'000 (Note 26)	Capital reserve HK$'000 (Note 25)	Statutory reserve HK$'000 (Note 25)	Other reserves HK$'000 (Note 25)	Share option reserve HK$'000 (Note 25)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020		24,405	2,644,040	(3,499)	(37,513)	704,944	309,863	(176,369)	5,834	(365,660)	2,717,222	5,823,267	199,440	6,022,707
Comprehensive income														
Profit for the year		—	—	—	—	—	—	—	—	—	1,053,790	1,053,790	3,393	1,057,183
Other comprehensive income														
Currency translation differences		—	—	—	—	—	—	—	—	447,834	—	447,834	16,732	464,566
Total comprehensive income for the year		—	—	—	—	—	—	—	—	447,834	1,053,790	1,501,624	20,125	1,521,749
Appropriation of statutory reserve		—	—	—	—	—	138,230	—	—	—	(138,230)	—	—	—
Dividend approved and paid in respect of the previous year		—	—	—	—	—	—	—	—	—	(100,021)	(100,021)	—	(100,021)
Interim dividend declared and paid	31	—	—	—	—	—	—	—	—	—	(90,264)	(90,264)	—	(90,264)
Cancellation of ordinary shares bought back in previous year	25	(10)	(3,489)	3,499	—	—	—	—	—	—	—	—	—	—
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	65,250	65,250
Balance at 31 December 2020		24,395	2,640,551	—	(37,513)	704,944	448,093	(176,369)	5,834	82,174	3,442,497	7,134,606	284,815	7,419,421
Representing:														
2020 proposed final dividend	31										119,538			
Other retained earnings											3,322,959			
											3,442,497			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to equity holders of the Company												
	Note	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25)	Treasury shares HK$'000 (Note 25)	Shares held under share award scheme HK$'000 (Note 26)	Capital reserve HK$'000 (Note 25)	Statutory reserve HK$'000 (Note 25)	Other reserves HK$'000 (Note 25)	Share option reserve HK$'000 (Note 25)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021		24,395	2,640,551	—	(37,513)	704,944	448,093	(176,369)	5,834	82,174	3,442,497	7,134,606	284,815	7,419,421
Comprehensive income														
Profit/(loss) for the year		—	—	—	—	—	—	—	—	—	1,321,995	1,321,995	(2,828)	1,319,167
Other comprehensive income/(loss)														
Currency translation differences		—	—	—	—	—	—	—	—	270,780	—	270,780	10,700	281,480
Release of exchange differences upon disposal of a subsidiary	37	—	—	—	—	—	—	—	—	(336)	—	(336)	—	(336)
Total comprehensive income for the year		—	—	—	—	—	—	—	—	270,444	1,321,995	1,592,439	7,872	1,600,311
Appropriation of statutory reserve		—	—	—	—	—	172,984	—	—	—	(172,984)	—	—	—
Dividend approved and paid in respect of the previous year	31	—	—	—	—	—	—	—	—	—	(119,538)	(119,538)	—	(119,538)
Interim dividend declared and paid	31	—	—	—	—	—	—	—	—	—	(121,977)	(121,977)	—	(121,977)
Share options lapsed	25	—	—	—	—	—	—	—	(973)	—	973	—	—	—
Acquisition of subsidiaries	36	—	—	—	—	—	—	—	—	—	—	—	1,668	1,668
Disposal of a subsidiary	37	—	—	—	—	—	—	—	—	—	—	—	(8,889)	(8,889)
Capital injection from non-controlling interests	14	—	—	—	—	—	—	—	—	—	—	—	114,939	114,939
Balance at 31 December 2021		24,395	2,640,551	—	(37,513)	704,944	621,077	(176,369)	4,861	352,618	4,350,966	8,485,530	400,405	8,885,935
Representing:														
2021 proposed final dividend	31										141,493			
Other retained earnings											4,209,473			
											4,350,966			

The notes on pages 80 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Profit before income tax	**1,547,410**	1,256,909
Adjustment for:		
Revenue from project construction services	**(3,515,339)**	(2,705,275)
Finance income from service concession arrangements	**(114,819)**	(98,684)
Share of net profits of associates and joint ventures	**(96,498)**	(118,195)
Depreciation of property, plant and equipment	**144,758**	135,339
Amortisation of intangible assets	**488,075**	306,235
Amortisation of right-of-use assets	**12,739**	11,701
Amortisation of deferred government grants	**(9,160)**	(8,488)
Impairment of trade receivables	**5,933**	—
Impairment of receivables under service concession arrangements	**12,778**	—
Impairment of other receivables	**18,000**	—
Interest income	**(11,854)**	(10,747)
Interest expense	**423,462**	351,389
Exchange differences	**(30,549)**	(48,704)
Gain on disposal of a subsidiary	**(1,846)**	—
Loss on disposals of property, plant and equipment	**11**	937
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)		
— Non-current prepayments	**(927,708)**	(457,138)
— Inventories	**(6,418)**	(7,083)
— Receivables under service concession arrangements	**166,049**	136,904
— Trade and bills receivables and other receivables	**(586,288)**	(284,929)
— Trade and other payables	**272,608**	(128,046)
Net cash used in operations	**(2,208,656)**	(1,667,875)
Income tax paid	**(141,221)**	(97,696)
Net cash used in operating activities	**(2,349,877)**	(1,765,571)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Proceeds from disposal of a subsidiary	37	**13,498**	—
Deposits paid for investments		**(2,710)**	—
Payments for acquisition of leasehold land held for own use		**(251,096)**	—
Payments for purchase of property, plant and equipment		**(115,190)**	(69,815)
Proceeds from disposals of property, plant and equipment	32(b)	**1,341**	516
Expenditure capitalised on development projects		**(1,063)**	—
Decrease/(increase) in restricted deposits		**769**	(6,555)
Dividends from associates		**17,349**	5,357
Acquisition of subsidiaries		**(30,184)**	(35,287)
Acquisition of an associate		**(15,463)**	—
Capital contribution to joint ventures		**(29,040)**	(21,896)
Capital contribution and loan to associates		**(24,995)**	(73,876)
Interest received from bank deposits		**7,902**	5,469
Interest received from an associate		**3,952**	5,278
Net cash used in investing activities		**(424,930)**	(190,809)
Cash flows from financing activities			
Proceeds from borrowings	32(a)	**4,655,349**	5,576,603
Repayments of borrowings	32(a)	**(1,391,381)**	(2,432,368)
Interest paid		**(465,757)**	(359,598)
Principal elements of lease payments	32(a)	**(6,388)**	(6,794)
Interest elements of lease payments	32(a)	**(156)**	(203)
Dividends paid to equity holders of the Company		**(241,515)**	(190,285)
Repayment of ex-shareholders' loans of a subsidiary		**—**	(8,142)
Capital contribution from non-controlling interests		**114,939**	65,250
Net cash generated from financing activities		**2,665,091**	2,644,463
Net (decrease)/increase in cash and cash equivalents		**(109,716)**	688,083
Cash and cash equivalents at beginning of year		**1,769,598**	1,020,327
Currency translation differences		**44,126**	61,188
Cash and cash equivalents at end of year		**1,704,008**	1,769,598

The notes on pages 80 to 157 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or modified from time to time. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the operation and management of waste-to-energy ("WTE") plants, provision of environmental hygiene and related services and integrated smart city management services. The directors regard Harvest Vista Company Limited and Best Approach Developments Limited, companies incorporated in the British Virgin Islands ("BVI"), as being the ultimate and immediate holding companies of the Company, respectively.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2021:

Amendments to Hong Kong Accounting Standard ("HKAS") 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform Phase 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted

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

Standards/ Interpretations	Subject	Effective for accounting period beginning on or after
Amendments to annual improvements project	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Costing of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be announced

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are not consolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

When the Group acquires a business, it assesses all identifiable intangible assets in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *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 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.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint ventures and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights of that entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint ventures and associates (Continued)

Interests in joint ventures and associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures and associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investments equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures or associate.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by joint venture and associates have been adjusted to conform with the Group's accounting policies.

The carrying amount of equity-accounted investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$, which is the Company's and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–25 years
Plant and machinery	10–15 years
Motor vehicles	3–5 years
Office and other equipment	3–5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The Group performs it annual impairment reviews for goodwill as at 31 December every year. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Concession right to a build-operate-transfer ("BOT") WTE plant

Concession right to a BOT WTE plant has a finite useful life and is carried at cost less accumulated amortisation. Concession right acquired in a business combination is recognised at fair value at the acquisition date. Costs mainly comprise construction related costs and borrowing costs that are eligible for capitalisation and incurred before the WTE plant is ready for its intended use. When the concession right is ready for its intended use, amortisation is calculated using the straight-line method to allocate the cost of concession right over the concession period.

(c) Other intangible assets

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.

Contract backlog and brand name acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently amortised on the straight-line basis over their useful lives and carried at cost less accumulated amortisation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(c) Other intangible assets (Continued)

Their estimated useful lives are as follows:

Contract backlog	2 years
Brand name	15 years
Capitalised development costs	5 years

The amortisation period and the amortisation method for an intangible asset with a limited useful life are reviewed at least annually.

2.8 Service concession arrangements

The Group has entered into a number of service concession arrangements with certain governmental authorities or their designators (the "Grantors"). The service concession arrangements consist of BOT arrangements. Under the BOT arrangements, the Group carries out construction work of the facilities of the WTE plant for the Grantors and receives in return a right to operate the facilities of service project concerned for a specified period of time (the "Service Concession Period") in accordance with the pre-established conditions set by the Grantors, the service project should be transferred to the Grantors with nil consideration at the end of the Service Concession Period.

The Group is generally entitled to use all the property, plant and equipment of the facilities, however, the relevant governmental authorities as Grantors will control and regulate the scope of service that the Group must provide with the facilities, and retain the beneficial entitlement to any residual interest in the facilities at the end of the Service Concession Period. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the People's Republic of China ("PRC") that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the facilities to a specified level of serviceability at the end of the Service Concession Period and arrangements for arbitrating disputes.

(a) Consideration given by the Grantor

(i) Service concession arrangements under intangible asset model

An intangible asset (concession right) is recognised to the extent that the Group receives a right to charge users of public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses of service. The intangible asset (concession right) is accounted for in accordance with the policy set out for "Intangible assets" in Note 2.7, which is amortised on the straight-line basis over the Service Concession Period.

Revenue relating to operating service are accounted for in accordance with the policy for Note 2.21 "Revenue recognition". Costs for operating services are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Service concession arrangements (Continued)

(a) *Consideration given by the Grantor* (Continued)

(ii) Service concession arrangements under hybrid model

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

(b) *Construction and upgrade services*

The fair value of the construction and upgrade service under the services concession arrangement is calculated as the estimated total construction cost plus an expected mark-up margin. Construction revenue from concession arrangements are accounted for in accordance with the policy for Note 2.21 "Revenue Recognition".

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Assets that are subject to depreciation or amortisation other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

In assessing whether there is any indication that an asset may be impaired, the Group considers the following indications:

External sources of information

— there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

— significant changes with an adverse effect have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in the market to which an asset is dedicated.

— market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets (Continued)

Internal sources of information

— evidence is available of obsolescence or physical damage of an asset.

— significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

— evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

2.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement category:

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are grouped under "general and administrative expenses" and presented as separate line items under Note 6 in the consolidated statement of profit or loss.

(iv) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables and receivables under service concession arrangements, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, as described Note 3.1(ii).

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group companies or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Receivables

(a) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(b) Receivables under service concession arrangements

The Group recognises financial assets arising from service concession arrangements when they have an unconditional right to receive cash or other financial asset for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as receivables under service concession arrangements. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method, less allowance for impairments.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Share capital and shares held under share award scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

Consideration paid for shares held under share award scheme is deducted from equity attributable to the equity holders of the Company and disclosed as "shares held under share award scheme".

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority accept on uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax (Continued)

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(d) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (such as "Announcement of Ministry of Finance and the State Taxation Administration on Further Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses" in the PRC). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for electricity supplied and provision of municipal solid waste ("MSW") treatment services, construction service for service concession arrangement and environmental hygiene and other services, stated net of value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Revenue from power sales

The Group is engaged in sales of electricity. Revenue is recognised over the period that services are rendered and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

(ii) Rendering of waste treatment services

The Group is engaged in provision of waste treatment services. Revenue is recognised over the period that services are rendered and the Group's performance provide all the benefits received and consumed simultaneously by the customers.

(iii) Construction revenue from service concession arrangements

The Group provides construction services under service concession arrangements. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs for each contract.

(iv) Finance income from service concession arrangements

Finance income is recognised using the effective interest method. When the receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(v) Rendering of environmental hygiene and other services

The Group is engaged in provision of environmental hygiene and other services. Revenue is recognised over the period that services are rendered and the Group's performance provide all the benefits received and consumed simultaneously by the customers.

(vi) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceed the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations. In the consolidated balance sheet, the contract assets mainly consist of receivables under service concession arrangements and contract liabilities mainly consist of receipt in advance from customers recognised under other payables.

The Group recognised its contract assets under receivables under service concession arrangements in the consolidated balance sheet.

(vii) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(viii) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and service concession arrangement are included in liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

(ix) Sales of bottom ash

Revenue from the sales of bottom ash is recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the bottom ash and the Group has present right to payment and the collection of the consideration is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(i) Pension obligations

Subsidiaries incorporated in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

Subsidiaries incorporated in Hong Kong participate in a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK$1,500 per employee per month. The assets of MPF Scheme are held separately from those of the subsidiaries incorporated in Hong Kong in an independently administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to MPF Scheme in Hong Kong and defined contribution retirement benefit plans in the PRC vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to MPF Scheme in Hong Kong and defined contribution retirement benefit plans in the PRC during the year ended 31 December 2021 and 2020 and there were no forfeited contributions available for the Group to reduce its contributions payable to MPF Scheme in Hong Kong and defined contribution retirement benefit plans in the PRC as at 31 December 2021 and 2020.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Equity-settled, share-based compensation plan

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(iii) Equity-settled, share-based compensation plan (Continued)

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity of the Company.

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of this asset, until such time as the asset is substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of rentals of offices for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and interest. The interest is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

(i) Foreign exchange risk

Since the operating subsidiaries of the Group mainly operate in the PRC with transactions mainly settled in Renminbi ("RMB"), being the functional currency of these subsidiaries, the Group is not exposed to significant foreign exchange risk.

(ii) Credit risk

(i) Risk Management

The credit risk of the Group mainly arises from bank deposits, trade and bills receivables, other receivables and receivables under services concession arrangements. Bank deposits are placed with reputable banks and financial institutions.

For trade and bills receivables, other receivables and receivables under services concession arrangements, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history and the major counterparties are primarily local government authorities in the PRC, directors are of the opinion that the risk of default by these counterparties is not significant.

The Group has concentration of credit risk. As at 31 December 2021, 29% (2020: 25%) of the total trade and bills receivables and receivables under services concession arrangements were due from the five largest customers.

The carrying values of these balances represent the Group's maximum exposure to credit risk in relation to the financial statements.

(ii) Impairment of financial assets

The Group has the following financial assets that are subject to the ECL model:

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

While cash and cash equivalents and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as bank deposits are placed with reputable banks and financial institutions.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Receivables under service concession arrangements and trade and bills receivables

For trade and bills receivables which are long overdue with significant balances, they are assessed individually for impairment allowance.

The Group also applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables under service concession arrangements (i.e. contract assets) and trade and bills receivables.

To measure the expected credit losses of receivables under service concession arrangements and trade and bills receivables, they have been grouped based on shared credit risk characteristics. The receivables under service concession arrangements relate to unbilled contract work and have the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the loss rates for receivables under service concession arrangements.

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

As at 31 December 2021, the expected credit loss rate and loss allowances for receivables under service concession arrangements and trade and bills receivables is 0.48% and HK$12,778,000 and 0.56% and HK$5,933,000, respectively, while the provision for impairment was assessed to be minimal as at 31 December 2020.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Receivables under service concession arrangements and trade and bills receivables (Continued)

The movements of the loss allowances for receivables under service concession arrangements and trade and bills receivables are as follows:

	Receivables under service concession arrangements		Trade and bills receivables	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Opening loss allowances	**—**	—	**—**	—
Provision for impairment recognised in the consolidated statement of profit or loss	**12,778**	—	**5,933**	—
Closing loss allowances	**12,778**	—	**5,933**	—

Receivables under service concession arrangements and trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on receivables under service concession arrangements and trade and bills receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits. If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses. As at 31 December 2021, the impairment was assessed to be HK$18,000,000 in respect of other receivables, while the provision for impairment was assessed to be minimal as at 31 December 2020.

The movements of the loss allowances for other receivables are as follows:

	2021 HK$'000	2020 HK$'000
Opening loss allowances	**—**	—
Provision for impairment recognised in the consolidated statement of profit or loss	**18,000**	—
Closing loss allowances	**18,000**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK$2,349,877,000 (2020: HK$1,765,571,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK$4,105,196,000 (2020: HK$3,061,527,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK$1,755,319,000 (2020: HK$1,295,956,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecasting cash inflows and outflows due in day to day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The tables below analyse the Group's contractual maturities for its non-derivative financial liabilities (excluding statutory liabilities) as at 31 December 2021 and 2020. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total contracted cash flows HK$'000
As at 31 December 2021					
Bank borrowings (including interest)	**1,907,616**	**4,274,584**	**3,972,252**	**4,802,359**	**14,956,811**
Lease liabilities	**6,642**	**2,768**	**—**	**—**	**9,410**
Trade and other payables	**1,473,661**	**—**	**—**	**—**	**1,473,661**
	3,387,919	**4,277,352**	**3,972,252**	**4,802,359**	**16,439,882**
As at 31 December 2020					
Bank borrowings (including interest)	1,202,474	1,362,081	5,702,970	2,427,207	10,694,732
Lease liabilities	2,893	—	—	—	2,893
Trade and other payables	1,233,015	—	—	—	1,233,015
	2,438,382	1,362,081	5,702,970	2,427,207	11,930,640

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iv) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings bearing variable rates expose the Group to cash flow interest rate risk.

The Group does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant exposure should the need arise.

For the year ended 31 December 2021, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and retained earnings would have been approximately HK$121,998,000 (2020: HK$87,825,000) lower/higher as a result of higher/lower interest expense on bank borrowings. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to cash flow interest rate risk for bank borrowings in existence at the balance sheet date.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest risk. As all the Group's bank deposits were short-term in nature, any changes in the interest rate from time to time is not considered to have significant impact to the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowings.

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The net debt to total capital ratios at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings (Note 27)	**12,703,875**	9,180,284
Less: cash and cash equivalents (Note 24)	**(1,704,008)**	(1,769,598)
Net debt	**10,999,867**	7,410,686
Total equity	**8,885,935**	7,419,421
Total capital	**19,885,802**	14,830,107
Net debt to total capital ratio	**55%**	50%

As at 31 December 2021, bank borrowings of HK$6,871,082,000 (2020: HK$5,419,694,000) are subject to the fulfilment of covenants relating to certain financial ratios. If the Group were to breach the covenants, bank borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants and has complied with these covenants during the year ended 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Fair value

The management considered the carrying amounts of financial assets and liabilities approximated their fair values as at 31 December 2021 and 2020. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The method by which the fair values of financial instruments are established are categorised as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs, other than quoted prices within level 1, that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market price at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is include in level 3.

As at 31 December 2021 and 2020, the Group does not have any financial assets and liabilities which are measured at fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Service concession arrangements

The Group entered into BOT arrangements in respect of its WTE projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.21, revenue relating to construction services under such arrangement is recognised over time, by reference to the construction cost incurred as a percentage of the total estimated costs for each contract. Judgement is required in estimating the total construction cost and mark-up margin of the projects.

In making this judgement, the Group reviews and makes the estimation with reference to actual costs incurred for completed projects of comparable WTE capacity, status reports prepared internally and externally and gross margin of listed companies which are engaged in similar business of the Group. Should these estimates changed, this would affect the revenue and profit to be recognised in the construction period.

Impairment of financial assets

The Group has the following financial assets that are subject to the ECL model:

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

The Group makes provision for impairment of financial assets by grouping the financial assets with shared credit risk characteristics and assessed collectively for credit loss allowance, based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of financial assets requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of financial assets and loss for the impairment of financial assets recognised in the periods in which such estimates have been changed.

5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2021, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2020: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2021 (2020: same).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 EXPENSES BY NATURE

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

	2021 HK$'000	2020 HK$'000
Maintenance cost	**201,231**	163,554
Environmental protection expenses	**349,148**	255,986
Research and development cost	**54,345**	8
Impairment of trade receivables	**5,933**	—
Impairment of receivables under service concession arrangements	**12,778**	—
Impairment of other receivables	**18,000**	—
Remuneration to the Company's auditor		
— Audit services	**3,000**	3,000
— Non-audit services	**—**	923
Remuneration to other auditors		
— Audit services	**807**	826
— Non-audit services	**170**	135
Employee benefit expenses (Note 9)	**488,983**	350,564
Depreciation and amortisation		
— Property, plant and equipment (Note 16)	**144,758**	135,339
— Intangible assets (Note 17)	**488,075**	306,235
— Right-of-use assets (Note 15)	**12,739**	11,701
Other lease expenses*	**11,161**	9,295
Donation	**4,520**	2,075
Construction cost recognised for project construction services (included in cost of sales)	**3,052,412**	2,254,396

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

7 OTHER INCOME

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

7 OTHER INCOME (Continued)

Notes:

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

(ii) Government subsidies for the year ended 31 December 2021 mainly represent subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilizing employment (2020: The amount mainly represents the Group's entitlement to value-added tax relief in accordance with the Announcement of the "Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19", cash subsidies in respect of the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administrative Region Government and subsidies received from certain PRC government authorities as financial support to the growth of enterprises). There were no unfulfilled conditions and other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.

(iii) Government grants recognised were related to the construction of infrastructure under service concession arrangements. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

8 OTHER GAINS, NET

	2021 HK$'000	2020 HK$'000
Gain on disposal of a subsidiary (Note 37)	**1,846**	—
Loss on disposals of property, plant and equipment (Note 32(b))	**(11)**	(937)
Exchange gains, net	**30,549**	48,704
	32,384	47,767

9 EMPLOYEE BENEFIT EXPENSES

	2021 HK$'000	2020 HK$'000
Wages and salaries	**399,811**	307,109
Pension costs — defined contribution plans	**25,703**	4,344
Welfare and other expenses	**63,469**	39,111
Total	**488,983**	350,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors' emoluments

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2021					
Executive directors:					
Ms. Lee Wing Yee Loretta	**—**	**2,163**	**674**	**18**	**2,855**
Mr. Lai Kin Man	**—**	**612**	**—**	**18**	**630**
Mr. Yuan Guozhen (Chief Executive Officer)	**—**	**1,682**	**1,129**	**62**	**2,873**
Mr. Lai Chun Tung	**—**	**3,497**	**2,025**	**37**	**5,559**
Non-executive directors:					
Mr. Feng Jun	**—**	**—**	**—**	**—**	**—**
Mr. Lui Ting Cheong Alexander	**180**	**—**	**—**	**—**	**180**
Independent non-executive directors:					
Professor Sha Zhenquan	**180**	**—**	**—**	**—**	**180**
Mr. Chan Kam Kwan Jason	**240**	**—**	**—**	**—**	**240**
Mr. Chung Wing Yin	**180**	**—**	**—**	**—**	**180**
Mr. Chung Kwok Nam	**180**	**—**	**—**	**—**	**180**
	960	**7,954**	**3,828**	**135**	**12,877**
Year ended 31 December 2020					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	2,067	636	18	2,721
Mr. Lai Kin Man	—	611	—	18	629
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,641	1,080	21	2,742
Mr. Lai Chun Tung	—	3,271	1,875	18	5,164
Non-executive directors:					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui (Note)	90	—	—	—	90
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	1,050	7,590	3,591	75	12,306

Note: Mr. Lai Yui ceased to be a non-executive director of the Company with effect from 30 June 2020.

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2021 (2020: same).

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2021, except for employer's contribution to pension scheme as disclosed above (2020: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2021, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2020: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save for the related party transaction disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly, subsisted as at 31 December 2021 or at any time during the year ended 31 December 2021 (2020: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2021 (2020: 3), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2021 (2020: 2) are as follows:

	2021 **HK$'000**	2020 HK$'000
Wages and salaries	**3,548**	3,293
Discretionary bonus	**1,737**	1,607
Pension costs — defined contribution plans	**18**	18
Welfare and other expenses	**812**	765
Total	**6,115**	5,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

(g) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	2021	2020
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**—**	—
HK$3,000,001 – HK$3,500,000	**—**	1
HK$3,500,001 – HK$4,000,000	**1**	—

During the year ended 31 December 2021, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2020: same).

11 INTEREST INCOME AND EXPENSE

	2021 HK$'000	2020 HK$'000
Interest expense on bank borrowings	**(491,742)**	(398,819)
Interest expense on lease liabilities	**(156)**	(203)
Less: amount capitalised on qualifying assets	**68,436**	47,633
	(423,462)	(351,389)
Interest income from bank deposits	**7,902**	5,469
Interest income from an associate (Note 18)	**3,952**	5,278
Interest expense, net	**(411,608)**	(340,642)

Interest expense on bank borrowings were capitalised at the weighted average rate of general borrowings of approximately 4% (2020: 4%).

12 INCOME TAX EXPENSE

	2021 **HK$'000**	2020 HK$'000
Current income tax		
Hong Kong profits tax	**1,781**	—
PRC enterprise income tax	**121,698**	102,920
Total current income tax	**123,479**	102,920
Deferred income tax (Note 19)	**104,764**	96,806
Income tax expense	**228,243**	199,726

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year, 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 year).

Subsidiaries incorporated in the PRC are subject to a tax rate of 25% for the year ended 31 December 2021 and 2020 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax ("EIT") incentive that the project would be fully exempted from the PRC enterprise income tax for three years starting from the tax year in which the project recorded its operating revenue for the first time, followed by a 50% tax reduction for the ensuing three years.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12 INCOME TAX EXPENSE (Continued)

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

12 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by weighted average tax rate applicable to profit of the subsidiaries of the Group are as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**1,547,410**	1,256,909
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**400,083**	289,717
Tax effect of:		
Income not taxable for tax purpose	**(31,232)**	(24,693)
Expenses not deductible for tax purpose	**35,727**	61,161
Preferential tax concession	**(176,335)**	(126,459)
Income tax expense	**228,243**	199,726

The weighted average applicable tax rate was 14.8% for the year ended 31 December 2021 (2020: 15.9%).

13 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (HK$'000)	**1,321,995**	1,053,790
Weighted average number of ordinary shares in issue (thousand shares)	**2,429,441**	2,429,441
Basic earnings per share (HK cents)	**54.4**	43.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 EARNINGS PER SHARE (Continued)

(b) Diluted

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

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

Diluted earnings per share for the years ended 31 December 2021 and 2020 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

14 SUBSIDIARIES

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below:

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Directly owned:				
Yi Feng Development Limited 億豐發展有限公司	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Canvest Technology Company Limited (formerly known as "Canvest Environmental (Overseas) Company Limited") 粵豐科技有限公司 (formerly known as "粵豐環保(海外)有限公司")	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Indirectly owned:				
Anabell Hong Kong Limited 安貝爾香港有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Anhui Xinlibo Car Park Management Services Company Limited 安徽信立泊停車場管理服務有限公司*#	The PRC, limited liability company	RMB50,000,000/ RMB154,000	70%	Management and operations of smart car parking business/the PRC
Baoding Canvest Kewei Environmental Power Company Limited 保定粵豐科維環保電力有限公司*^	The PRC, limited liability company	RMB205,900,000/ RMB170,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Baoding Yi County Canvest Environmental Power Company Limited ("Baoding Yi County Canvest") 保定易縣粵豐環保電力有限公司*#	The PRC, limited liability company	RMB181,000,000/ RMB19,990,000 (note (a))	79.8%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Beiliu Canvest Environmental Power Company Limited 北流粵豐環保電力有限公司*^	The PRC, limited liability company	RMB176,750,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Canvest Environmental (China) Company Limited 粵豐環保(中國)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental Investment Company Limited (formerly known as "Canvest Environmental (Shanghai) Company Limited") 粵豐環境投資有限公司 (formerly known as "粵豐環保(上海)有限公司")	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest City Management Technology Company Limited (formerly known as "Canvest Environmental International Limited") 粵豐城市管理科技有限公司 (formerly known as "粵豐環保國際有限公司")	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of human resources and administrative services/Hong Kong
Canvest Kewei Environmental Investment (Guangdong) Company Limited ("Kewei") (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*")	The PRC, limited liability company	RMB1,420,000,000	100%	Provision of MSW handling services and operation and management of WTE plant and investment holding/ the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Canvest SciWin Intelligent Investment (Guangdong) Company Limited 粵豐科盈智能投資(廣東)有限公司*^	The PRC, limited liability company	RMB210,000,000/ RMB45,000,000	100%	Management and operations of smart car parking business and investment holding/the PRC
Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited") 粵豐粵展環保投資(廣東)有限公司*^ (formerly known as "粵展環保投資(廣東)有限公司*")	The PRC, limited liability company	RMB250,000,000	100%	Investment holding/the PRC
Canvest Yuezhan Environmental Management (Guangdong) Company Limited 粵豐粵展環境管理(廣東)有限公司*^	The PRC, limited liability company	RMB150,000,000/ RMB114,466,000	100%	Provision of transportation services and investment holding/the PRC
Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited 粵豐粵展智慧環衛服務(廣東)有限公司*^	The PRC, limited liability company	RMB100,000,000/ RMB56,000,000	100%	Provision of management services and investment holding/the PRC
China Green Power Holdings Limited 中國綠色能源控股有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Daguang Technology Information (Zhangjiakou Yu County) Company Limited*△ 大廣科技信息(張家口蔚縣)有限公司*△	The PRC, limited liability company	RMB10,000,000/ RMB Nil	70%	Management and operations of smart car parking business/the PRC

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Datong Canvest Environmental Power Company Limited 大同粵豐環保電力有限公司*#	The PRC, limited liability company	RMB118,110,000/ RMB16,000,000	63%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Dehong Canvest Environmental Power Company Limited ("Dehong Canvest") 德宏粵豐環保電力有限公司*#	The PRC, limited liability company	RMB126,800,000/ RMB122,120,000 (note (b))	90%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司*#	The PRC, limited liability company	RMB330,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Dongguan City Kaixiang Network Technology Company Limited ("Kaixiang Network") 東莞市凱翔網絡科技有限公司*^	The PRC, limited liability company	RMB2,000,000	100%	Management and operations of smart car parking business/the PRC
Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") 東莞市科偉環保電力有限公司*^	The PRC, limited liability company	RMB400,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Fine Way Investments Limited 佳威投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Huizhou Zhongkai Canvest Environmental Power Company Limited ("Huizhou Zhongkai Canvest") 惠州仲愷粵豐環保電力有限公司*#	The PRC, limited liability company	RMB210,069,370/ RMB84,100,000 (note (c))	51%	Provision of MSW handling services and operation and management of WTE plant/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Jingjiang Canvest Environmental Power Company Limited 靖江粵豐環保電力有限公司*#	The PRC, limited liability company	RMB169,880,000/ RMB142,229,680	80%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
KK VII (BVI) Limited	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
KK VIII (BVI) Limited	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
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*")	The PRC, limited liability company	RMB261,500,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Laibin Canvest Jiajieyuan City Environmental Services Company Limited 來賓粵豐佳潔園城市環境服務有限公司*△	The PRC, limited liability company	RMB1,000,000	100%	Provision of cleaning and waste management services/the PRC
Linfen Canvest Environmental Power Company Limited ("Linfen Canvest") 臨汾粵豐環保電力有限公司*#	The PRC, limited liability company	RMB194,321,800 (note (d))	98%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Lufeng Canvest Environmental Power Company Limited 陸豐粵豐環保電力有限公司*^	The PRC, limited liability company	RMB188,160,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Maoming Canvest Environmental Power Company Limited 茂名粵豐環保電力有限公司*#	The PRC, limited liability company	RMB352,970,000/ RMB261,472,060	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
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 know as "黔西南州興義市鴻大環保電力有限公司*")	The PRC, limited liability company	RMB196,600,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qiandongnanzhou Liping Canvest Environmental Power Company Limited 黔東南州黎平粵豐環保電力有限公司*^	The PRC, limited liability company	RMB109,760,000/ RMB80,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司*^	The PRC, limited liability company	RMB350,750,000/ RMB296,400,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Shanghai Canvest Environmental Company Limited 上海粵豐環境有限公司*^	The PRC, limited liability company	RMB15,000,000/ RMB2,000,000	100%	Provision of WTE plant management services/ the PRC
Shaoguan Canvest Environmental Power Company Limited ("Shaoguan Canvest") 韶關粵豐環保電力有限公司*#	The PRC, limited liability company	RMB126,610,000 (note (e))	99.4%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Sichuan Jiajieyuan Environmental Technology Company Limited ("Sichuan Jiajieyuan") 四川佳潔園環保科技有限公司*△	The PRC, limited liability company	RMB32,000,000	100%	Provision of cleaning and waste management services/the PRC
Taizhou Canvest Environmental Power Company Limited ("Taizhou Canvest") 泰州粵豐環保電力有限公司*#	The PRC, limited liability company	RMB210,573,000/ RMB119,490,400 (note (f))	64.9%	Provision of MSW handling services and operation and management of WTE plant/the PRC
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Xiangyun Shengyun Environmental Energy Company Limited 祥雲盛運環保電力有限公司*^	The PRC, limited liability company	RMB134,000,000/ RMB82,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinfeng Canvest Environmental Power Company Limited (formerly known as "Jiangxi Xinfeng Kunyue Environmental Power Company Limited") 信豐粵豐環保電力有限公司*^ （formerly known as "江西信豐坤躍環保電力有限公司"*）	The PRC, limited liability company	RMB115,100,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinyi Canvest Environmental Power Company Limited 信宜粵豐環保電力有限公司*#	The PRC, limited liability company	RMB169,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinyi Canvest Jiajieyuan City Services Company Limited 信宜粵豐佳潔園城市服務有限公司*△	The PRC, limited liability company	RMB12,000,000	100%	Provision of cleaning and waste management services/the PRC
Xuwen Canvest Environmental Power Company Limited 徐聞粵豐環保電力有限公司*^	The PRC, limited liability company	RMB117,380,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Yingkou Canvest Power Environmental Company Limited 營口粵豐電力環保有限公司*#	The PRC, limited liability company	RMB225,350,000/ RMB165,225,350	99.8%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zaozhuang Canvest Environmental Company Limited 棗莊粵豐環保有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB20,289,608	100%	Provision of MSW handling services and operation and management of landfill/ the PRC
Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") 棗莊中科環保電力有限公司*#	The PRC, limited liability company	RMB507,452,000/ RMB364,633,630	51%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhanjiang Canvest Environmental Power Company Limited 湛江市粵豐環保電力有限公司*#	The PRC, limited liability company	RMB194,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhongshan City Guangye Longcheng Environmental Company Limited 中山市廣業龍澄環保有限公司*^	The PRC, limited liability company	RMB418,590,000/ RMB323,180,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC

14 SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries of the Group as at 31 December 2021 are set out below: (Continued)

* The English name of the subsidiaries referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

^ Registered under the laws of the PRC as wholly-owned foreign investment enterprises.

Registered under the laws of the PRC as sino-foreign co-operation joint ventures.

△ Registered under the laws of the PRC as private companies with limited liability.

Contribution from non-controlling interests

Note (a): For the year ended 31 December 2021, two independent third parties, who holds 20.2% equity interest in Baoding Yi County Canvest in total, contributed RMB2,010,000 (equivalent to HK$2,418,000) (2020: nil) in aggregate to Baoding Yi County Canvest.

Note (b): For the year ended 31 December 2021, an independent third party, who holds 10% equity interest in Dehong Canvest, contributed RMB6,000,000 (equivalent to HK$7,171,000) (2020: nil) to Dehong Canvest.

Note (c): For the year ended 31 December 2021, two independent third parties, who holds 49% equity interest in Huizhou Zhongkai Canvest in total, contributed RMB63,700,000 (equivalent to HK$77,870,000) (2020: nil) in aggregate to Huizhou Zhongkai Canvest.

Note (d): For the year ended 31 December 2021, an independent third party, who holds 2% equity interest in Linfen Canvest, contributed RMB2,662,000 (equivalent to HK$3,256,000) (2020: RMB1,224,500 (equivalent to HK$1,455,000)) to Linfen Canvest.

Note (e): For the year ended 31 December 2021, two independent third parties, who holds 0.6% equity interest in Shaoguan Canvest in total, contributed RMB760,000 (equivalent to HK$923,000) (2020: nil) in aggregate to Shaoguan Canvest.

Note (f): For the year ended 31 December 2021, two independent third parties, who holds 35.1% equity interest in Taizhou Canvest in total, contributed RMB15,471,000 (equivalent to HK$18,826,000) (2020: RMB27,730,000 (equivalent to HK$32,949,000)) in aggregate to Taizhou Canvest.

Note (g): For the year ended 31 December 2021, an independent third party who then holds 15% equity interest in Canvest Guoye Environmental Investment (Guangdong) Company Limited ("Canvest Guoye") contributed RMB3,735,000 (equivalent to HK$4,475,000) (2020: nil) to Canvest Guoye before the Group disposed of 59.5% equity interest in Canvest Guoye on 30 June 2021 (Note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 RIGHT-OF-USE ASSETS

	Leasehold land held for own use HK$'000	Office premises lease for own use HK$'000	Total HK$'000
Year ended 31 December 2020			
Opening net book amount	129,863	9,425	139,288
Addition	28,077	—	28,077
Amortisation (Note 6)	(5,048)	(6,653)	(11,701)
Currency translation differences	9,699	—	9,699
As at 31 December 2020	162,591	2,772	165,363
Year ended 31 December 2021			
Opening net book amount	**162,591**	**2,772**	**165,363**
Addition	**227,608**	**12,714**	**240,322**
Amortisation (Note 6)	**(6,258)**	**(6,481)**	**(12,739)**
Currency translation differences	**4,743**	**—**	**4,743**
As at 31 December 2021	**388,684**	**9,005**	**397,689**

The group holds several leasehold land held for own use as offices and for operations. The group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

The Group's leasehold land held for own use included prepaid lease payments which are analysed as follows:

	2021 HK$'000	2020 HK$'000
Leasehold land in Hong Kong	**223,440**	—
Land use rights in the PRC	**72,323**	69,822

Remaining balances represent values of the right to operate Eco-Tech WTE plants under build-own-operate basis.

Amortisation expense for leasehold land held for own use of HK$4,798,000 (2020: HK$5,048,000) was charged in "cost of sales" while amortisation expense for leasehold land held for own use of HK$1,460,000 (2020: Nil) and amortisation expense for office premises lease for own use of HK$6,481,000 (2020: HK$6,653,000), were charged to "general and administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	Total HK$'000
Year ended 31 December 2020					
Opening net book amount	584,671	676,170	27,910	16,610	1,305,361
Additions	36,435	13,025	8,851	6,838	65,149
Acquisition of subsidiaries	—	380	1,184	911	2,475
Disposals (Note 32(b))	—	(16)	(1,198)	(239)	(1,453)
Depreciation (Note 6)	(44,304)	(75,015)	(9,689)	(6,331)	(135,339)
Currency translation differences	34,984	37,973	3,358	834	77,149
Closing net book amount	611,786	652,517	30,416	18,623	1,313,342
As at 31 December 2020					
Cost	838,287	1,097,400	55,370	46,709	2,037,766
Accumulated depreciation	(226,501)	(444,883)	(24,954)	(28,086)	(724,424)
Net book amount	611,786	652,517	30,416	18,623	1,313,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	Total HK$'000
Year ended 31 December 2021					
Opening net book amount	611,786	652,517	30,416	18,623	1,313,342
Additions	26,263	35,376	47,536	16,585	125,760
Acquisition of subsidiaries (Note 36)	—	1,011	83	161	1,255
Disposals (Note 32(b))	—	(33)	(392)	(927)	(1,352)
Disposal of a subsidiary (Note 37)	—	—	—	(28)	(28)
Depreciation (Note 6)	(41,366)	(78,680)	(16,808)	(7,904)	(144,758)
Currency translation differences	17,074	17,905	1,219	1,266	37,464
Closing net book amount	613,757	628,096	62,054	27,776	1,331,683
As at 31 December 2021					
Cost	888,840	1,164,741	103,841	63,758	2,221,180
Accumulated depreciation	(275,083)	(536,645)	(41,787)	(35,982)	(889,497)
Net book amount	613,757	628,096	62,054	27,776	1,331,683

Depreciation expense was charged in the consolidated statement of profit or loss as follows:

	2021 HK$'000	2020 HK$'000
Cost of sales	125,553	122,877
General and administrative expenses	19,205	12,462
	144,758	135,339

As at 31 December 2021, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK$256,978,000 (2020: HK$271,716,000) (Note 27).

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. This transaction was completed on 29 October 2021 and accounted for as asset acquisition since substantially all of the fair value of the gross assets acquired in acquisition was primarily concentrated in the land and building. Accordingly, the land component of HK$224,900,000 is recognised as addition of right-of-use assets (Note 15) and the building portion of HK$25,896,000 is recognised as addition of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 INTANGIBLE ASSETS

	Goodwill HK$'000	Concession rights HK$'000	Contract backlog HK$'000	Brand name HK$'000	Capitalised development costs HK$'000	Total HK$'000
Year ended 31 December 2020						
Opening net book amount	205,314	6,885,238	5,730	15,837	—	7,112,119
Additions from BOT arrangement	—	2,536,028	—	—	—	2,536,028
Acquisition of subsidiaries	—	537,284	—	—	—	537,284
Amortisation (Note 6)	—	(299,856)	(5,241)	(1,138)	—	(306,235)
Currency translation differences	13,225	604,987	65	954	—	619,231
Closing net book amount	218,539	10,263,681	554	15,653	—	10,498,427
As at 31 December 2020						
Cost	218,539	11,224,895	11,644	18,061	—	11,473,139
Accumulated amortisation	—	(961,214)	(11,090)	(2,408)	—	(974,712)
Net book amount	218,539	10,263,681	554	15,653	—	10,498,427
Year ended 31 December 2021						
Opening net book amount	**218,539**	**10,263,681**	**554**	**15,653**	**—**	**10,498,427**
Additions from BOT arrangement	**—**	**2,915,840**	**—**	**—**	**—**	**2,915,840**
Addition through internal development	**—**	**—**	**—**	**—**	**1,063**	**1,063**
Acquisition of subsidiaries (Note 36)	**8,869**	**36,168**	**—**	**—**	**—**	**45,037**
Amortisation (Note 6)	**—**	**(486,292)**	**(562)**	**(1,221)**	**—**	**(488,075)**
Currency translation differences	**6,450**	**338,034**	**8**	**440**	**17**	**344,949**
Closing net book amount	**233,858**	**13,067,431**	**—**	**14,872**	**1,080**	**13,317,241**
As at 31 December 2021						
Cost	**233,858**	**14,550,615**	**11,986**	**18,591**	**1,080**	**14,816,130**
Accumulated amortisation	**—**	**(1,483,184)**	**(11,986)**	**(3,719)**	**—**	**(1,498,889)**
Net book amount	**233,858**	**13,067,431**	**—**	**14,872**	**1,080**	**13,317,241**

Goodwill is mainly attributable to the acquisitions of Eco-Tech, Sichuan Jiajieyuan and Kaixiang Network in 2011, 2018 and 2021, respectively. The carrying amount of goodwill allocated to the Group's CGUs is as follows:

	2021 HK$'000	2020 HK$'000
Eco-Tech	**173,947**	168,984
Sichuan Jiajieyuan	**51,010**	49,555
Kaixiang Network	**8,901**	—
	233,858	218,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 INTANGIBLE ASSETS (Continued)

For the purposes of impairment reviews, the recoverable amount of CGUs is determined based on the value-in-use calculations which require the use of assumptions. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate of 3% (2020: 3%) on waste treatment fee for Eco-Tech, 5.7% (2020: 5.7%) on environmental hygiene service income for Sichuan Jiajieyuan and 5.4% (2020: not applicable) on service income for Kaixiang Network for the purposes of impairment reviews covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account of the estimated terminal growth rate of 3% (2020: 3%) on both waste treatment fee for Eco-Tech and environmental hygiene service income for Sichuan Jiajieyuan and 2% (2020: not applicable) for service income for Kaixiang Network, and expected remaining useful lives of the relevant underlying operating assets. The assumptions used for budgeted revenue and gross profit margin are supported by historical data of existing projects. The operating cash inflows generated from Eco-Tech and Sichuan Jiajieyuan are mainly due from local government authorities in the PRC with no recent history of default while the services provided by Kaixiang Network are mainly cash transactions, and accordingly the management considers the credit risk of cash flows from such projects to be insignificant.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. The pre-tax discount rate used is 9.5% (2020: 9.5%) for Eco-Tech, 18.9% (2020: 18.9%) for Sichuan Jiajieyuan and 12.4% (2020: not applicable) for Kaixiang Network for the year ended 31 December 2021. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGUs. Based on the impairment review, no impairment is considered necessary as at 31 December 2021 and 2020. There are no reasonably possible change in the key assumptions which would cause the carrying amount to exceed the recoverable amount for goodwill attributable to the acquisition of Eco-Tech, Sichuan Jiajieyuan and Kaixiang Network.

Concession rights are mainly attributable to the acquisition of certain subsidiaries with BOT arrangements and allocation from the BOT arrangement of certain WTE plants of the Group. Amortisation expenses were charged to "cost of sales" in the consolidated statement of profit or loss. The remaining amortisation period of those concession rights ranged from 9 to 30 years.

As at 31 December 2021, the net books value of concession rights of projects that had not commenced operation amounted to HK$12,133,000 (2020: HK$1,746,265,000).

Contract backlog and brand name were mainly attributable to the acquisition of Sichuan Jiajieyuan on 28 December 2018. The remaining amortisation period of brand name was 12 years.

The Group is researching and developing green technology and smart car parking system. For the year ended 31 December 2021, the Group incurred research and development cost of HK$54,345,000 (2020: HK$8,000) that are not eligible for capitalisation and were charged to "general and administrative expenses" in the consolidated statement of profit or loss.

As at 31 December 2021, certain of the Group's borrowings were secured by the BOT arrangements entered by certain WTE plants of the Group, with the local governments with aggregate carrying amount of HK$12,636,700,000 (2020: HK$9,914,100,000) (Note 27).

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest 2021 %	% of ownership interest 2020 %	Measurement method	Carrying amount 2021 HK$'000	Carrying amount 2020 HK$'000
Equity accounted investments						
Associates:						
Dongguan Xindongyuan Environmental Investment Company Limited ("Dongguan Xindongyuan") (note (a)) 東莞市新東元環保投資有限公司*#	The PRC	**49%**	49%	Equity method	**245,336**	147,636
Dongguan Xindongyue Environmental Company Limited ("Dongguan Xindongyue") (note (b)) 東莞市新東粵環保實業有限公司*△	The PRC	**35%**	35%	Equity method	**209,599**	185,721
Hong Kong Johnson Holdings Co., Ltd. ("Johnson") (note (c)) 香港莊臣控股有限公司	Cayman Islands	**30.75%**	30.75%	Equity method	**247,667**	224,119
Huizhou City Zhongzhou Environmental Resources Company Limited ("Zhongzhou Environmental") (note (d)) 惠州市中洲環保資源有限公司*#	The PRC	**40%**	40%	Equity method	**185,582**	164,032
Shen County SIIC Environmental Energy Co. Ltd. ("Shen County SIIC") (note (e)) 莘縣上實環保能源有限公司*#	The PRC	**20%**	20%	Equity method	**1,284**	1,195
SIIC Xangtze Delta Environmental Resources (Hong Kong) Limited ("SIIC Xangtze Delta") (note (f)) 上海實業環境長三角環保資源(香港)有限公司	Hong Kong	**30%**	30%	Equity method	**144,510**	111,052
Canvest Guoye Environmental Investment (Guangdong) Company Limited (note (g)) 粵豐國業環保投資(廣東)有限公司*△	The PRC	**25.5%**	Not applicable	Equity method	**20,839**	—
Sichuan SIIC Ecological Environmental Co., Ltd. (formerly known as "Sichuan SIIC Environmental Investment Development Co., Ltd.") ("Sichuan SIIC") (note (h)) 四川上實生態環境有限責任公司*# (formerly known as ("四川上實環境投資發展有限公司")*	The PRC	**30%**	—	Equity method	**15,595**	—
Joint ventures:						
Jianyang Canvest Environmental Power Company Limited ("Jianyang Canvest") (note (i)) 簡陽粵豐環保發電有限公司*△	The PRC	**50%**	50%	Equity method	**260,525**	232,396
Hengyang Canvest Environmental Construction Power Company Limited ("Hengyang Canvest") (note (j)) 衡陽粵豐環建電力有限公司*#	The PRC	**55%**	—	Equity method	**28,196**	—
Total equity accounted investments					**1,359,133**	1,066,151
Loan to an associate Dongguan Xindongyuan (note (a))					**30,578**	118,820
Total interest in associates and joint ventures					**1,389,711**	1,184,971

* The English name of the associates and joint ventures referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

\# Registered under the laws of the PRC as sino-foreign co-operation joint ventures.

△ Registered under the laws of the PRC as private companies with limited liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and joint ventures (Continued)

(a) Dongguan Xindongyuan is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the concession right to a WTE plant in Machong Town, Dongguan City, Guangdong Province.

Loan to an associate is unsecured and interest-bearing at the rate announced by the People's Bank of China. For the year ended 31 December 2021, interest income of HK$3,952,000 is recognised (2020: HK$5,278,000) (Note 11).

(b) Dongguan Xindongyue is principally engaged in the construction of environmental improvement project and treatment of hazardous waste. Currently, it owns the landfill for fly ash in Dongguan City and provides fly ash landfill service to the Group.

(c) Johnson is an investment holding company and the group is principally engaged in the provision of cleaning, janitorial and other related services for government, commercial, and industrial markets in Hong Kong.

As at 31 December 2021, the quoted fair value of the Group's equity interest in Johnson is HK$156,825,000 (31 December 2020: HK$107,625,000).

(d) Zhongzhou Environmental is principally engaged in the treatment of bottom ash produced from the incineration of waste in the PRC. The Group sells bottom ash to Zhongzhou Environmental.

(e) Shen County SIIC is principally engaged in the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. Shen County SIIC was set up together with Shanghai Fudan Water Engineering Technology Co., Ltd., a subsidiary of the substantial shareholder of the Company, and 2 independent third parties.

(f) SIIC Xangtze Delta is an investment holding company incorporated in Hong Kong with SIIC Environment Tech (Hong Kong) Limited, a subsidiary of the substantial shareholder of the Company.

SIIC Xangtze Delta holds 60% of equity interest in Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd. ("SIIC Baojingang") (上海上實寶金剛環境資源科技有限公司), which owns the concession right to invest, construct and operate of a WTE project in Shanghai ("Baoshan WTE Project"). On 9 February 2022, the Group entered into the operations management agreement with SIIC Baojingang, pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE Project.

(g) On 18 December 2020, the Group entered into an equity transfer agreement to dispose of 59.5% equity interest in Canvest Guoye. On 30 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 these interests are recognised as an associate. Canvest Guoye owns a concession right to construct a plant to process industrial waste at Jieyang Dananhai Petrochemical Industrial Park, Jieyang City, Guangdong Province.

(h) 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), who is the associate a substantial shareholder of the Group, to acquire 30% equity interest in Sichuan SIIC at a total consideration of RMB12,750,000 (equivalent to HK$15,463,000 as at the acquisition date). Sichuan SIIC owns 85% equity interest in Langzhong Mingcheng Domestic Waste Treatment Co.,Ltd. (閬中市名城生活垃圾處理有限公司), which holds a BOT concession right project in Langzhong city, Sichuan Province. This transaction was completed on 9 October 2021.

(i) Jianyang Canvest is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the BOT concession right to operate a WTE plant in Jianyang City, Sichuan Province.

(j) Hengyang Canvest is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the BOT concession right to operate a WTE plant in Changning City, Hunan Province. The Group has joint control over Hengyang Canvest's management pursuant to the Articles of Hengyan Canvest. Accordingly, Hengyang Canvest is classified as a joint venture.

Other than note (c) above, all of the associates and joint ventures are private entities and no quoted prices are available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and joint ventures (Continued)

(i) Commitments and contingent liabilities in respect of joint ventures and associates

	2021 HK$'000	2020 HK$'000
Capital contribution to joint ventures	**78,456**	32,026
Capital contribution to associates	**125,498**	143,304

There were no contingent liabilities in respect of joint ventures and associates as at 31 December 2021 (2020: same).

(ii) Acquisition of an associate

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), an associate of a substantial shareholder of the Group, to acquire 30% equity interest in Sichuan SIIC at a total consideration of RMB12,750,000 (equivalent to HK$15,463,000 as at the acquisition date).

Sichuan SIIC owns 85% equity interest in Langzhong Mingcheng Domestic Waste Treatment Co., Ltd. (閬中市名城生活垃圾處理有限公司), which holds a concession right project in Langzhong City, Sichuan Province. This transaction was completed on 9 October 2021.

The net cash outflow from acquisition of Sichuan SIIC is as follows:

	HK$'000
Outflow of cash to acquisition	
Cash consideration	**15,463**
Net cash outflow — investing activities	**15,463**

(iii) Individually immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures that is accounted for using the equity method. The information disclosed have been amended to reflect adjustments made by the Group using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of individually immaterial joint ventures	**288,721**	232,396
Aggregate amounts of the Group's share of profits	**20,147**	48,690
Aggregate amounts of the Group's share of other comprehensive income	**7,138**	14,198
Aggregate amounts of the Group's share of total comprehensive income	**27,285**	62,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and joint ventures (Continued)

(iv) Individually immaterial associates

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The information disclosed have been amended to reflect adjustments made by the Group using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of individually immaterial associates	**1,100,990**	952,575
Aggregate amounts of the Group's share of profits	**76,351**	69,505
Aggregate amounts of the Group's share of other comprehensive income	**33,381**	16,508
Aggregate amounts of the Group's share of total comprehensive income	**109,732**	86,013

19 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets and liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Deferred income tax assets		
— to be settled within 12 months	**—**	4,045
Deferred income tax liabilities		
— to be settled within 12 months	**18,415**	16,294
— to be settled after more than 12 months	**839,554**	712,428
	857,969	728,722

The analysis of deferred income tax charged to consolidated statement of profit or loss:

	2021 HK$'000	2020 HK$'000
Attributed to:		
— deferred income tax asset (Note 19(a))	**4,101**	7,408
— deferred income tax liabilities (Note 19(b))	**100,663**	89,398
	104,764	96,806

19 DEFERRED INCOME TAX (Continued)

(a) Deferred income tax assets

	Tax losses	
	2021 HK$'000	2020 HK$'000
At 1 January	**4,045**	11,163
Charged to the consolidated statement of profit or loss	**(4,101)**	(7,408)
Currency translation differences	**56**	290
As at 31 December	**—**	4,045

The deferred income tax asset relates to carried-forward tax losses of a PRC subsidiary. The tax losses recognised has been fully utilised in 2021.

(b) Deferred income tax liabilities

	Revaluation of asset HK$'000	**Service concession arrangements** HK$'000	**Withholding tax** HK$'000	**Total** HK$'000
At 1 January 2020	275,835	238,432	23,490	537,757
(Credited)/charged to the consolidated statement of profit or loss	(13,932)	92,830	10,500	89,398
Acquisition of subsidiaries	60,267	—	—	60,267
Currency translation differences	20,808	20,492	—	41,300
At 31 December 2020	342,978	351,754	33,990	728,722
At 1 January 2021	**342,978**	**351,754**	**33,990**	**728,722**
(Credited)/charged to the consolidated statement of profit or loss	**(12,646)**	**100,309**	**13,000**	**100,663**
Acquisition of subsidiaries (Note 36)	**8,646**	**—**	**—**	**8,646**
Currency translation differences	**8,050**	**11,888**	**—**	**19,938**
At 31 December 2021	**347,028**	**463,951**	**46,990**	**857,969**

Deferred income tax liabilities of approximately HK$103,522,000 as at 31 December 2021 (2020: HK$78,721,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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

20 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The credit period granted by the Group is generally 30 days. The maturity of the bills receivables is within 6 months. The ageing analysis of trade receivables, net of impairment, based on invoice date was as follows:

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

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the trade and bills receivables are reference to the credit ratings assigned on the respective province where the counterparties belong to and the forward-looking factors to reflect the effect of the external economic environment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables:

	2021
Expected credit loss rate	**0.56%**
Gross carrying amount (HK$'000)	**1,067,953**
Expected credit losses (HK$'000)	**5,933**

The loss allowance was assessed to be minimal as at 31 December 2020 in respect of trade and bills receivables.

The increase in the loss allowance was due to the increase in the gross carrying amount of trade and bills receivables as at 31 December 2021. The Group's credit policy with trade and bills receivables is disclosed in Notes 2.10 and 3.1(ii) to the consolidated financial statements.

20 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 December 2021, other receivables mainly include a sum of HK$135,908,000 (31 December 2020: HK$124,776,000) which is agreed to be reimbursed by an entity ultimately controlled by the local municipal government in related to interests in certain PRC companies. The remaining balances mainly include refundable tender deposits for potential projects (31 December 2020: same).

If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses. As at 31 December 2021, the impairment was assessed to be HK$18,000,000 in respect of other receivables, while the provision for impairment was assessed to be minimal as at 31 December 2020.

The carrying amounts of the Group's trade and bills receivables, other receivables, deposits and prepayments approximated their fair values and are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
RMB	**3,602,312**	2,023,730
HK$	**3,074**	321
	3,605,386	2,024,051

The other classes within trade and other receivables do not contain impaired assets.

21 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct, operate and manage WTE projects in the PRC for specific periods. The following is the summarised information of the contract asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

	2021 **HK$'000**	2020 HK$'000
Contract assets		
Receivables under service concession arrangements	**2,637,579**	2,000,433
Less: Impairment	**(12,778)**	—
	2,624,801	2,000,433
Less: Amount included in non-current assets	**(2,361,965)**	(1,836,244)
Amount included in current assets	**262,836**	164,189

The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements.

21 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS (Continued)

(a) Significant changes in contract assets

The increase in receivables under service concession arrangements balances was mainly attributable to the ongoing construction of WTE projects during the year ended 31 December 2021.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the receivables under service concession arrangements are reference to the credit ratings assigned on the respective province where the counterparties belong to and the forward-looking factors to reflect the effect of the external economic environment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's receivables under service concession arrangements:

	2021
Expected credit loss rate	**0.48%**
Gross carrying amount (HK$'000)	**2,637,579**
Expected credit losses (HK$'000)	**12,778**

The loss allowance was assessed to be minimal as at 31 December 2020 in respect of receivables under service concession arrangements.

The increase in the loss allowance was due to the increase in the gross carrying amount of receivables under service concession arrangements as at 31 December 2021. The Group's credit policy with receivables under service concession arrangements is disclosed in Notes 2.10 and 3.1(ii) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS (Continued)

(b) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term contracts:

	2021 HK$'000	2020 HK$'000
Aggregate amount of the transaction price that are partially or fully unsatisfied as at 31 December allocated to:		
(i) long-term service concession arrangements	**15,445,001**	12,695,225
(ii) environmental hygiene services contracts	**283,940**	96,164
	15,728,941	12,791,389

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include variable consideration.

22 INVENTORIES

	2021 HK$'000	2020 HK$'000
Fuel and other materials for waste treatment	**22,321**	15,353

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$280,121,000 for the year ended 31 December 2021 (2020: HK$207,801,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23 RESTRICTED DEPOSITS

	2021 HK$'000	2020 HK$'000
Restricted deposits, denominated in RMB	**46,830**	46,252

Restricted deposits of HK$46,830,000 (2020: HK$46,252,000) represents deposits pledged for BOT service concession arrangements in relation to various WTE plants. The effective interest rate on restricted deposits is 0.3%–2.75% per annum (2020: 0.3%–2.07%). All of the restricted deposits are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

24 CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank and on hand	**1,695,113**	1,493,083
Bank deposits	**8,895**	276,515
	1,704,008	1,769,598

As at 31 December 2021, the weighted average effective interest rate on bank deposits of the Group was (0.3%, 0.2% and 2.4%) for HK$, United States dollars ("US$") and Renminbi bank deposits, respectively (as at 31 December 2020: 1.7%, 1% and 2.3% for HK$, US$ and Renminbi, respectively). These bank deposits had original maturity dates of three months or less.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**107,359**	399,880
RMB	**1,587,470**	1,359,327
US$	**9,179**	10,391
	1,704,008	1,769,598

As at 31 December 2021, the Group's cash and cash equivalents balances of approximately HK$1,573,507,000 (2020: HK$1,083,786,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

(a) Share capital and share premium

	2021	2020
Authorised:		
Number of ordinary shares		
As at 1 January and 31 December	**5,000,000,000**	5,000,000,000
Equivalent nominal value of ordinary shares (HK$'000)	**50,000**	50,000
Issued and fully paid:		
Number of ordinary shares		
As at 1 January	**2,439,541,169**	2,440,579,169
Buy-back and cancelled shares (Note)	**—**	(1,038,000)
As at 31 December	**2,439,541,169**	2,439,541,169
Equivalent nominal value of ordinary shares (HK$'000)	**24,395**	24,395

Note:

The buy-back of shares was governed by Companies Law of the Cayman Islands and Company's Articles of Association. For the year ended 31 December 2020, the Company cancelled its own shares bought back through The Stock Exchange as follows:

Shares buy-back in 2019 and cancelled in 2020

Month of buy-back	Number of shares bought back	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$'000
November 2019	1,038,000	3.42	3.15	3,477
Total expenses on shares bought back				22
Treasury shares cancelled in 2020				3,499

The shares bought back in November 2019 were cancelled on 9 January 2020, and resulted in the decrease in Company's share capital of HK$10,000 and share premium of HK$3,489,000.

25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (Continued)

(b) Other reserves

(i) Capital reserve

Mr. Lai Kin Man transferred 15% beneficial interest in Eco-Tech to the Group in October 2011 as a deemed capital contribution of HK$63,041,000, being the difference between its fair value and consideration, was recognised.

On 30 June 2013, Mr. Lai Kin Man waived a payable balance of HK$297,422,000 due from the Group. This was recognised as a deemed capital contribution during the same period.

On 30 June 2014, Best Approach Developments Limited, the immediate holding company, waived a payable balance of HK$344,481,000 due from the Group. This was recognised as a deemed contribution during the same period.

(ii) Statutory reserve

Pursuant to the Articles of Association of Group's certain subsidiaries incorporated in the PRC, these subsidiaries transfer 10% of their net profit as determined in accordance with the Accounting Rules and Regulations of the PRC to their statutory reserve funds unless the statutory reserve balances of respective subsidiaries have reached 50% or more of their registered capital.

(iii) Other reserve

Other reserve represent difference between the fair value of consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries being acquired from non-controlling interest holders.

(iv) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted to employees, officers or directors of the Company or any of its subsidiaries on the date of grant under the Company's Share Option Scheme.

(c) Share options

On 24 April 2015, the board of the Company has granted share options to certain employees, officers and directors of the Company or any of its subsidiaries to subscribe for a total of 3,000,000 ordinary shares of the Company under the Share Option Scheme adopted on 7 December 2014. The acceptance of the grant of the share option can be made with a payment of HK$1 from the grantee. All share options granted were accepted. All share options granted under the Share Option Scheme are exercisable in whole or in part within 10 years from the date of grant. The details of the share options granted are as follows:

— Number of share options granted	3,000,000
— Exercise price	HK$4.39 per share
— Share option life	10 years
— Exercisable period	24 April 2015 to 23 April 2025

No share option granted was exercised since the date of grant to 31 December 2021. During the year ended 31 December 2021, there were 500,000 share options lapsed (2020: nil) and corresponding balance in share option reserve of HK$973,000 was reclassified to retained earnings accordingly. As at 31 December 2021, a total of 2,500,000 (31 December 2020: 3,000,000) share options under the Share Option Scheme remained outstanding.

26 SHARES HELD UNDER SHARE AWARD SCHEME

On 3 May 2019 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain persons ("Eligible Persons"), including employees and directors of companies within the Group, and to give incentives to them in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the board of directors ("Board") of the Company, the Share Award Scheme is valid and effective for 10 years from the Adoption Date (the "Award Period").

Subject to the scheme rules of the Share Award Scheme, the Board of the Company may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Share Award Scheme as selected participants and determine the number of awarded shares to be granted and conditions as it deems appropriate, subject to the terms and conditions set out in the Share Award Scheme. The Board of the Company shall not make further award of awarded shares which will result in the nominal value of awarded shares under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Company established a trust to purchase shares of the Company and hold them a trust for the benefit of Eligible Persons. Pursuant to the rules of the Share Award Scheme, the Company has appointed a trustee, Bank of Communications Trustee Limited ("Trustee"), to administrate the Share Award Scheme and the funds and properties held under the trust during the Award Period.

Movement of shares held under Share Award Scheme for the year ended 31 December 2021 and 2020 are as follows:

Shares held under Share Award Scheme	Number of shares	Consideration HK$'000
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,100,000	37,513

No shares were granted under the Share Award Scheme and the Group did not recognise any equity-settled share-based payments in relation to the Share Award Scheme for the year ended 31 December 2021 and 2020.

27 BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
At variable interest rates		
Bank borrowings, secured	**12,563,875**	9,180,284
Less: Amount included under non-current liabilities	**(11,279,473)**	(8,357,650)
Amount included under current liabilities	**1,284,402**	822,634
Unsecured bank borrowings included under current liabilities	**140,000**	—
Total amounts under current liabilities	**1,424,402**	822,634

The repayment terms of bank borrowings are analysed as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year or on demand	**1,424,402**	822,634
Between 1 and 2 years	**3,843,629**	1,026,758
Between 2 and 5 years	**3,211,065**	5,158,662
Over 5 years	**4,224,779**	2,172,230
	11,279,473	8,357,650
Total bank borrowings	**12,703,875**	9,180,284

As at 31 December 2021, bank borrowings are secured by rights to collect revenue from power sales, waste handling services and environmental hygiene services, property, plant and equipment (Note 16), intangible assets (Note 17), and corporate guarantees (Note 34) (as at 31 December 2020: rights to collect revenue from power sales and waste handling services, property, plant and equipment (Note 16), intangible assets (Note 17), and corporate guarantees (Note 34)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27 BANK BORROWINGS (Continued)

The effective interest rates of bank borrowings per annum at the balance sheet date were as follows:

	2021 %	2020 %
Term loans		
— secured	**2.45–5.39**	2.93–8.00
— unsecured	**1.43–2.20**	—

The carrying amount of the Group's bank borrowings are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**9,610,581**	6,705,293
HK$	**3,093,294**	2,474,991
	12,703,875	9,180,284

28 LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities	**9,244**	1,073
Less: Amount included under current liabilities	**(6,493)**	(1,073)
Amount included under non-current liabilities	**2,751**	—

(i) The Group's leasing activities and how these are accounted for

Rental contract is typically made for fixed period of 2 to 3 years but may have extension options as described in (ii) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

28 LEASE LIABILITIES (Continued)

(ii) Extension and termination options

Extension and termination options are included in the property lease across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

During the year ended 31 December 2021, total cash outflow for leases was included in the consolidated statement of cash flows in (a) interest paid under "financing activities" of HK$156,000 (2020: HK$203,000), (b) payment for short-term and low-value assets leases of HK$11,161,000 under "operating activities" (2020: HK$9,295,000), and (c) principal elements of lease payments of HK$6,388,000 under "financing activities" (2020: HK$6,794,000).

29 DEFERRED GOVERNMENT GRANTS

	2021 **HK$'000**	2020 HK$'000
Deferred government grants	**233,840**	211,228
Less: Amount included under current liabilities	**(9,124)**	(8,723)
Amount included under non-current liabilities	**224,716**	202,505

30 TRADE AND OTHER PAYABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30 TRADE AND OTHER PAYABLES (Continued)

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

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

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**1,693,027**	1,397,874
HK$	**6,117**	20,710
	1,699,144	1,418,584

31 DIVIDEND

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

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

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

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

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2021 and 2020 is as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings — repayable within one year or on demand (variable interest rate)	**1,424,402**	822,634
Bank borrowings — repayable after one year (variable interest rate)	**11,279,473**	8,357,650
Total bank borrowings	**12,703,875**	9,180,284
Lease liabilities	**9,244**	1,073
	12,713,119	9,181,357

	Bank borrowings repayable within one year or on demand HK$'000	**Bank borrowings repayable after one year** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
As at 1 January 2020	815,437	4,561,520	7,867	5,384,824
Cash flows	(819,203)	3,963,438	(6,997)	3,137,238
Acquisition of subsidiaries	67,536	169,120	—	236,656
Currency translation differences	8,115	384,574	—	392,689
Other non-cash movements	750,749	(721,002)	203	29,950
As at 31 December 2020	822,634	8,357,650	1,073	9,181,357
As at 1 January 2021	**822,634**	**8,357,650**	**1,073**	**9,181,357**
Cash flows	**(631,740)**	**3,895,708**	**(6,544)**	**3,257,424**
Currency translation differences	**10,087**	**228,047**	**—**	**238,134**
Other non-cash movements	**1,223,421**	**(1,201,932)**	**14,715**	**36,204**
As at 31 December 2021	**1,424,402**	**11,279,473**	**9,244**	**12,713,119**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2021 HK$'000	2020 HK$'000
Net book amount (Note 16)	**1,352**	1,453
Loss on disposals of property, plant and equipment (Note 8)	**(11)**	(937)
Proceeds from disposals of property, plant and equipment	**1,341**	516

33 COMMITMENTS

(a) Capital commitments

	2021 HK$'000	2020 HK$'000
Authorised but not contracted to:		
Construction cost for concession rights	**2,304,423**	2,848,813
Contracted but not provided for:		
Construction cost for concession rights	**4,507,304**	4,650,737

34 FINANCIAL GUARANTEES

(a) As at 31 December 2021, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 27) amounting to HK$9,427,116,000 (31 December 2020: HK$6,705,293,000).

(b) The Group holds 49% equity interest in Dongguan Xindongyuan and accounted for as an associate in the consolidated balance sheet, which holds 30% equity interest in Dongguan Xindongqing Environmental Investment Company Limited ("Dongguan Xindongqing"). As at 31 December 2021, the Group provided a guarantee of RMB32,340,000 (equivalent to HK$39,555,000) for bank loans of Dongguan Xindongqing (as at 31 December 2020: RMB32,340,000 (equivalent to HK$38,426,000).

(c) On 6 July 2020, Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% by Jianyang Lujiang Biochemical Co., Ltd. ("Jianyang Lujiang"), an independent third party) entered into Loan Agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), pursuant to which DRC Bank will provide Jianyang Canvest with a loan in an aggregate amount of RMB700,000,000 with a term of not more than 180 months for the development and construction of the Jianyang WTE plant.

As at 31 December 2021, Kewei together with the ultimate beneficial owner of Jianyang Lujiang and its spouse, entered into a joint and several guarantee agreement with DRC Bank, pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700,000,000 (equivalent to HK$856,170,000) (as at 31 December 2020: RMB700,000,000 (equivalent to HK$770,000,000)) (equivalent to the total amount of the loan), inclusive of principal, corresponding interest, default interest, compound interest, liquidated damages and deferred payment, as well as necessary and reasonable expenses and all other related expenses incurred in realizing the security right and creditor's rights. The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Further, the shares representing 50% equity of Jianyang Canvest held by Jianyang Lujiang will also be pledged to DRC Bank until the date of the loan is fully repaid.

(d) The Group holds 40% equity interest in Zhongzhou Environmental, and accounted for as an associate in the consolidated balance sheet. As at 31 December 2021, Loyal Step Limited, a wholly-owned subsidiary of the Group, together with other shareholders of Zhongzhou Environmental, provided a joint and several guarantee in the aggregate amount of not exceeding of RMB90,000,000 (equivalent to HK$110,079,000) for bank loan of Zhongzhou Environmental (as at 31 December 2020: RMB90,000,000 (equivalent to HK$106,938,000).

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 31 December 2021 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35 RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions and balances with related parties

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions:

(i) During the year ended 31 December 2021, the Group paid rental and related expenses of HK$7,886,000 for office to a related party which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family, as agreed by both parties (2020: HK$7,028,000).

(ii) During the year ended 31 December 2021, fly ash treatment services provided by an associate to the Group amounted to HK$64,049,000 (2020: HK$75,557,000). At as 31 December 2021, included in "Trade payables" are fly ash treatment fee payables of HK$48,223,000 (2020: HK$37,654,000) due to this associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.

(iii) During the year ended 31 December 2021, sales of bottom ash to an associate amounted to HK$5,074,000 (2020: HK$1,225,000). As at 31 December 2021, included in "Other receivables" are receivables of HK$515,000 (2020: HK$935,000) due from this associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms.

Other than those disclosed above and elsewhere in these consolidated financial statements, the Group did not have any transaction with its related parties during the years ended 31 December 2021 and 2020 and any balances with its related parties as at 31 December 2021 and 2020.

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 HK$'000	2020 HK$'000
Wages and salaries	**24,477**	22,715
Pension costs — defined contribution plans	**290**	101
Welfare and other expenses	**3,301**	2,623
Total	**28,068**	25,439

36 BUSINESS COMBINATION

(a) Acquisition of Kaixiang Network

In May 2021, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Kaixiang Network at a consideration of RMB21,700,000 (equivalent to HK$26,450,000) with a vendor, a close family member of the Group's key management personnel. This transaction was completed on 31 May 2021 and Kaixiang Network became a wholly-owned subsidiary of the Group.

Kaixiang Network owns the management right of certain carparks located in Dongguan City, Guangdong Province and this acquisition enable the Group to expand its market share in smart car parking solution industry.

The following table summarises the consideration paid for the acquisition and the fair value of assets acquired and liabilities assumed at the acquisition date.

	At acquisition date HK$'000
Consideration paid/payable	**26,450**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**1,236**
Intangible assets — concession rights (Note 17)	**24,238**
— goodwill (Note 17)	**8,869**
Property, plant and equipment (Note 16)	**1,043**
Other receivables, deposits and prepayments	**4,625**
Trade and other payables	**(7,502)**
Deferred income tax liabilities (Note 19)	**(6,059)**
Total identifiable net assets	**26,450**

Acquisition-related costs of HK$152,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows for the year ended 31 December 2021.

The goodwill is attributable to the workforce and industry experience of the acquired business. It will not be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36 BUSINESS COMBINATION (Continued)

(a) Acquisition of Kaixiang Network (Continued)

The net cash flow in relation to the acquisition of Kaixiang Network is as follows:

	HK$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Consideration paid/payable	**26,450**
Less: Cash and cash equivalents acquired	**(1,236)**
Unpaid balance	**(11,903)**
Net cash outflow — investing activities	**13,311**

The revenue included in the consolidated statement of profit or loss for the period from 1 June 2021 to 31 December 2021 contributed by Kaixiang Network was HK$6,646,000. Kaixiang Network contributed profit of HK$509,000 over the same period.

Had Kaixiang Network been consolidated from 1 January 2021, the consolidated statement of profit or loss of the Group would show pro-forma revenue of HK$6,799,789,000 and profit of HK$1,319,794,000 for the year ended 31 December 2021.

(b) Other immaterial acquisitions — Acquisition of Xinlibo and Yanxin

In January 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interest in 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. This transaction was effectively completed on 1 February 2021.

In March 2021, the Group entered into an agreement in relation to the acquisition of 70% equity interest in Yanxin Smart Parking (Shenzhen) Company Limited ("Yanxin") at a consideration of RMB6,100,000, subject to downward adjustments. It was subsequently agreed to adjust to RMB4,250,000 (equivalent to HK$5,116,000). Yanxin is an investment holding company, and it holds 100% equity interest in Daguang Technology Information (Zhangjiakou Yu County) Company Limited ("Daguang"), which owns the management rights of certain carparks located in Yu County, Hebei Province. This transaction was effectively completed on 31 August 2021.

After the completion of acquisitions, these companies would become non-wholly owned subsidiaries of the Group. These acquisitions enable the Group to expand its market share in smart car parking solution industry.

36 BUSINESS COMBINATION (Continued)

(b) Other immaterial acquisitions — Acquisition of Xinlibo and Yanxin (Continued)

The following table summarises the aggregate considerations paid for these acquisitions and the aggregate fair value of assets acquired and liabilities assumed at the acquisition dates.

	At acquisition dates HK$'000
Aggregate considerations paid/payable	**5,475**
Aggregate recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**194**
Intangible assets — concession rights (Note 17)	**11,930**
Property, plant and equipment (Note 16)	**212**
Other receivables, deposits and prepayments	**934**
Trade and other payables	**(3,540)**
Deferred income tax liabilities (Note 19)	**(2,587)**
Non-controlling interests	**(1,668)**
Total identifiable net assets	**5,475**

Aggregate acquisition-related costs of HK$132,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows for the year ended 31 December 2021.

The aggregate net cash flow in relation to these acquisitions is as follows:

	HK$'000
Aggregate outflow of cash to acquisition, net of cash and cash equivalents acquired	
Aggregate consideration paid/payable	**5,475**
Less: Aggregate cash and cash equivalents acquired	**(194)**
Aggregate unpaid balance	**(2,365)**
Net cash outflow — investing activities	**2,916**

For the year ended 31 December 2021, the contribution to the Group's revenue and profit from these subsidiaries since the respective date of acquisition were not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37 DISPOSAL OF A SUBSIDIARY

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 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.

On 30 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 these interests are recognised as "interests in associates" in the consolidated balance sheet.

	At the date of control transferred HK$'000
Cash consideration received/receivable	36,336
Interest in an associate retained subsequent to disposal	15,572
	51,908
Carrying amount of net assets and liabilities which control was lost:	
Property, plant and equipment (Note 16)	28
Non-current deposits and prepayments	59,489
Other receivables, deposits and prepayment	78
Cash and cash equivalents	894
Trade and other payables	(1,202)
Non-controlling interests	(8,889)
	50,398
Cumulative exchange reserve of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	(336)
Gain on disposal (Note 8)	1,846
	51,908

37 DISPOSAL OF A SUBSIDIARY (Continued)

The net cash flow in relation of the disposal of Canvest Guoye is as follows:

	HK$'000
Inflow of cash from disposal, net of cash and cash equivalents disposed of	
Cash consideration received/receivable	**36,336**
Less: Cash and cash equivalents disposed of	**(894)**
Consideration received in the prior year	**(1,202)**
Unreceived balance	**(20,742)**
Net cash inflow — investing activities	**13,498**

38 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 23 February 2022, the Group acquired 29.56% equity interests of Zaozhuang Zhongke by public auction with a total consideration of RMB15,379,000 (equivalent to HK$18,810,000).

(b) On 1 March 2022, the Group was awarded the concession right of a WTE plant located in Quyang County, Hebei Province by way of public tender. The total daily municipal solid waste processing capacity of this project is 1,050 tonnes. It shall be constructed in two phases, of which the processing capacity of phase 1 shall be 700 tonnes and phase 2 shall be 350 tonnes. As at the date of approval for issue of these consolidated financial statements, no concession agreement in relation to the award of the tender was entered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	2021 HK$'000	2020 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**6,853,603**	5,689,523
Current assets		
Prepayment and other receivables	**465**	917
Cash and cash equivalents	**122,327**	666,896
	122,792	667,813
Total assets	**6,976,395**	6,357,336
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**24,395**	24,395
Share premium (Note 39(b))	**2,640,551**	2,640,551
Other reserves (Note 39(b))	**1,060,386**	1,061,359
Retained earnings (Note 39(b))	**146,238**	136,654
Total equity	**3,871,570**	3,862,959
LIABILITIES		
Non-current liabilities		
Bank borrowings	**2,618,946**	2,387,685
Current liabilities		
Bank borrowings	**474,348**	87,307
Other payables	**8,191**	16,105
Amounts due to subsidiaries	**3,340**	3,280
	485,879	106,692
Total liabilities	**3,104,825**	2,494,377
Total equity and liabilities	**6,976,395**	6,357,336
Net current (liabilities)/assets	**(363,087)**	561,121
Total assets less current liabilities	**6,490,516**	6,250,644

The balance sheet of the Company was approved by the Board of Directors on 22 March 2022 and was signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Treasury shares HK$'000	Capital reserve HK$'000 (Note (i))	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2020	2,644,040	(3,499)	1,055,525	5,834	163,527	3,865,427
Dividend approved and paid in respect of the previous year	—	—	—	—	(100,021)	(100,021)
Interim divided declared and paid (Note 31)	—	—	—	—	(90,264)	(90,264)
Cancellation of ordinary shares bought back in previous year (Note 25)	(3,489)	3,499	—	—	—	10
Profit for the year	—	—	—	—	163,412	163,412
Balance at 31 December 2020	2,640,551	—	1,055,525	5,834	136,654	3,838,564
Balance at 1 January 2021	**2,640,551**	**—**	**1,055,525**	**5,834**	**136,654**	**3,838,564**
Dividend approved and paid in respect of the previous year	**—**	**—**	**—**	**—**	**(119,538)**	**(119,538)**
Interim divided declared and paid (Note 31)	**—**	**—**	**—**	**—**	**(121,977)**	**(121,977)**
Share options lapsed (Note 25)	**—**	**—**	**—**	**(973)**	**973**	**—**
Profit for the year	**—**	**—**	**—**	**—**	**250,126**	**250,126**
Balance at 31 December 2021	**2,640,551**	**—**	**1,055,525**	**4,861**	**146,238**	**3,847,175**

Note (i): The capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Company for the acquisition of subsidiaries pursuant to the reorganisation completed in 2014.

FINANCIAL SUMMARY

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	**20,427,926**	15,652,781	11,299,503	8,897,623	7,287,363
Current assets	**4,011,744**	3,369,054	2,167,264	2,020,629	1,971,574
Total assets	**24,439,670**	19,021,835	13,466,767	10,918,252	9,258,937
EQUITY AND LIABILITIES					
Total equity	**8,885,935**	7,419,421	6,022,707	5,294,557	4,890,306
Non-current liabilities	**12,373,664**	9,295,741	5,388,657	4,285,359	3,332,949
Current liabilities	**3,180,071**	2,306,673	2,055,403	1,338,336	1,035,682
Total liabilities	**15,553,735**	11,602,414	7,444,060	5,623,695	4,368,631
Total equity and liabilities	**24,439,670**	19,021,835	13,466,767	10,918,252	9,258,937

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**6,794,571**	4,987,906	3,952,216	3,325,894	2,397,531
Cost of sales	**(4,684,292)**	(3,442,782)	(2,686,690)	(2,228,802)	(1,578,867)
Gross profit	**2,110,279**	1,545,124	1,265,526	1,097,092	818,664
General and administrative expenses	**(517,952)**	(325,363)	(241,915)	(228,299)	(164,701)
Other income	**237,809**	211,828	155,317	130,290	106,596
Other gains/(losses), net	**32,384**	47,767	(7,832)	(8,830)	(11,406)
Operating profit	**1,862,520**	1,479,356	1,171,096	990,253	749,153
Interest income	**11,854**	10,747	7,094	6,146	6,438
Interest expense	**(423,462)**	(351,389)	(211,277)	(176,136)	(112,010)
Share of net profits of associates and joint ventures	**96,498**	118,195	54,770	32,004	—
Profit before income tax	**1,547,410**	1,256,909	1,021,683	852,267	643,581
Income tax expenses	**(228,243)**	(199,726)	(129,632)	(97,912)	(79,334)
Profit for the year	**1,319,167**	1,057,183	892,051	754,355	564,247
Attributable to:					
Equity holders of the Company	**1,321,995**	1,053,790	892,622	754,364	564,247
Non-controlling interests	**(2,828)**	3,393	(571)	(9)	—
Earnings per share (expressed in HK cents per share)					
— Basic	**54.4**	43.4	36.6	30.7	24.0
— Diluted	**54.4**	43.4	36.6	30.7	24.0

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lee Wing Yee Loretta
(Chairlady and Executive Director)
Mr. Lai Kin Man
(Deputy Chairman and Executive Director)
Mr. Yuan Guozhen
(Chief Executive Officer and Executive Director)
Mr. Lai Chun Tung (Executive Director)

Non-Executive Directors

Mr. Feng Jun
Mr. Lui Ting Cheong Alexander

Independent Non-executive Directors

Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin
Mr. Chung Kwok Nam

BOARD COMMITTEES

Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Professor Sha Zhenquan
Mr. Chung Wing Yin

Remuneration Committee

Professor Sha Zhenquan (Chairperson)
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin

Nomination Committee

Mr. Chung Wing Yin (Chairperson)
Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason

Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Ms. Lee Wing Yee Loretta
Professor Sha Zhenquan
Mr. Chung Wing Yin

Strategy and Substitutability Committee

Mr. Lai Chun Tung (Chairperson)
Mr. Lui Ting Cheong Alexander
Professor Sha Zhenquan

COMPANY SECRETARY

Ms. Wong Ling Fong Lisa (HKICPA)

AUTHORISED REPRESENTATIVES

Ms. Lee Wing Yee Loretta
Ms. Wong Ling Fong Lisa

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

as to Hong Kong law:
King & Wood Mallesons

as to PRC law:
King & Wood Mallesons
Jingtian & Gongcheng

as to BVI and Cayman Islands law:
Maples and Calder

PRINCIPAL BANKERS

Dongguan Rural Commercial Bank Co. Ltd.
The Hong Kong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

PO Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6803B, 68/F.,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

Level 24,
Canvest Tower,
2 San Yuan Road,
Nan Cheng District, Dongguan City,
Guangdong, PRC

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman Limited)
PO Box 1093, Boundary Hall,
Cricket Square, Grand Cayman,
KY1-1102, Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

INVESTOR RELATIONS

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Telephone	:	(852) 2668 6596
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WEBSITE

www.canvestenvironment.com

LISTING INFORMATION

Equity Securities Listing

The Company's ordinary shares are listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 1381) and it has been selected as one of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect.

CLOSURE OF REGISTER OF MEMBERS

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

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

To determine the shareholders' entitlement to the final dividend

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

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

CORPORATE INFORMATION

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Friday, 17 June 2022. Notice of the 2022 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly recommends the Shareholders to exercise their voting rights by appointing the Chairman of the AGM as their proxy instead of attending the AGM in person. All Shareholders are encouraged to vote on all resolutions to be proposed at the AGM.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

For environmental protection reason, the Company encourages Shareholders to view the contents of this annual report posted on the aforesaid websites.

GLOSSARY

AGM	Annual general meeting
Baoshan WTE Project	the WTE project under construction and located in Baoshan District, Shanghai municipality and owned by SIIC Baojingang
Beiliu	Beiliu Canvest Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
BOO	build-own-operate, a project model in which a private entity builds, owns and operates their facilities and assets with no obligation to transfer their ownership of their relevant facilities and assets to any specified parties at any specified time
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
BVI	the British Virgin Islands
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Canvest ECT	Guangdong Canvest Energy Conservation Technology Co., Ltd.** (廣東粵豐節能科技有限公司), a company incorporated in the PRC and is held by Mr. Guo Huiqiang** (郭惠強), an associate of Mr. CT Lai, as to 51.0% and Mr. CT Lai as to 49.0%
Canvest Yuezhan	Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as "Yuezhan Environmental Investment (Guangdong) Company Limited")** (粵豐粵展環保投資(廣東)有限公司) (formerly known as 粵展環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It holds approximately 73.9% equity interest in Shanghai Shengong Environmental Protection Co., Ltd.** (上海神工環保股份有限公司)
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
Century Rise	Century Rise Development Limited (誠朗發展有限公司), a company incorporated under the laws of BVI on 6 January 2012 with limited liability and a controlling shareholder of the Company

GLOSSARY

Changning	Hengyang Canvest Environmental Construction Power Company Limited** (衡陽粵豐環建電力有限公司), a company incorporated in the PRC with limited liability and the Group holds 55% equity interest of it
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
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company 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
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
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

GLOSSARY

Hungyuan	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
Jianyang or Jianyang Canvest	Jianyang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it
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

GLOSSARY

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
Mr. CT Lai	Mr. Lai Chun Tung (黎俊東), an executive Director
Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and deputy chairman
Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady
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（清遠中田新能源有限公司）, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
Ruili	Dehong Canvest Environmental Power Company Limited** (德宏粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Sanyang	Dongguan Sanyang Industrial Development Co., Ltd.** (東莞市三陽實業發展有限公司), a company incorporated in the PRC and is jointly-owned by Mr. CT Lai and his associate
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
Sichuan SIIC	Sichuan SIIC Ecological Environmental Co., Ltd. (formerly known as "Sichuan SIIC Environmental Investment Development Co., Ltd.")** (四川上實生態環境有限責任公司) (formerly known as 四川上實環境投資發展有限公司), a company incorporated in the PRC with limited liability. The Group effectively holds 30% equity interest of it
SIIC	Shanghai Industrial Investment (Holdings) Company Limited (上海實業 (集團) 有限公司), a company incorporated under the laws of Hong Kong with limited liability
SIIC Baojingang	Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd.** (上海上實寶金剛環境資源科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIHL. The Group effectively holds 18% equity interest of it
SIIC Environment	SIIC Environment Holdings Limited, a company incorporated in the Republic of Singapore with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 807) and Singapore Exchange Limited (stock code: BHK.SG)
SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company
Taizhou	Taizhou Canvest Environmental Power Company Limited** (泰州粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
True Victor	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL
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
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust
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

GLOSSARY

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
Xinlibo	Anhui Xinlibo Car Park Management Services Company Limited** (安徽信立泊停車場管理服務有限公司), a company incorporated in the PRC with limited liability and an indirect non-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. CT Lai and his associate
Zaozhuang or Zaozhung Zhongke	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
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