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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

Financial Highlights

	For the six months ended 30 June		
	2023	2022	Change
Revenue *(HK$'000)*	**2,981,021**	4,111,537	(27.5%)
Included: Revenue from power sales and waste treatment *(HK$'000)*	**1,736,490**	1,768,406	(1.8%)
Gross profit *(HK$'000)*	**1,133,203**	1,247,329	(9.1%)
EBITDA *(HK$'000)*	**1,446,680**	1,608,867	(10.1%)
Profit for the period *(HK$'000)*	**640,686**	783,053	(18.2%)
Profit attributable to equity holders of the Company *(HK$'000)*	**610,271**	774,002	(21.2%)
Basic earnings per share *(HK cents)*	**25.1**	31.9	(21.3%)
Interim dividend per share *(HK cents)*	**4.9**	6.2	(21.0%)
Financial Ratios			
Gross profit margin *(%)*	**38.0%**	30.3%	+7.7p.p
EBITDA margin *(%)*	**48.5%**	39.1%	+9.4p.p
Net profit margin *(%)*	**21.5%**	19.0%	+2.5p.p

Operational Highlights

- During the period under review, the Group's (including its subsidiaries, associates and joint ventures) implementation of innocuous treatment of waste volume amounted to 8,082,573 tonnes. The Group generated 3,079,463,000 kWh from green energy, saved 736,000 tonnes of standard coal and offset 4,040,000 tonnes of carbon dioxide equivalent emissions[(1)].

- During the period under review, Yi County WTE plant commenced trial operation and the total daily operating capacity increased from 41,890 tonnes to 42,690 tonnes.

- In March 2023, the Group entered into the waste processing service agreement with Dazhou SIIC, pursuant to which the Group will (i) transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant; (ii) dispose the solidified fly ash generated by Dazhou WTE plant to the landfill; and (iii) detect and repair impermeable membranes at the landfill for three years.

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

- On 28 July 2023, Canvest — Paul Y. Joint Venture, which was led by the Company, was awarded the Hong Kong North Lantau Transfer Station and Outlying Islands Transfer Facilities Second Follow-on Contract with the awarded sum amounted to HK$2,818 million for a period of 10 years.

- In August 2023, Yingkou WTE project received the registration approval from VCS that the estimated annual emission reductions of carbon dioxide equivalent reached 245,000 tonnes.

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June 2023. The condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's independent auditor, PricewaterhouseCoopers.

Note:

(1) The Group has adopted the methodology as stated in Clean Development Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to calculate and offset greenhouse gas emissions from operating projects. The greenhouse gas emission calculation methodologies account for the carbon dioxide equivalent emitted from fossil fuels used for electricity generation and emissions from the combustion of MSW, and methane released from the wastewater treatment process. The calculation methodology for GHG emissions offset has been revised to prevent over-estimation of the avoidance of landfill gas emissions in baseline scenario of the half-yearly model, thereby improving comparability with the figures in our sustainability reports.

CHAIRLADY'S STATEMENT

TO ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I report the interim results of the Group for the six months ended 30 June 2023 (the "Period").

In the first half of 2023, we operated in a challenging macroeconomic environment. Externally, the United States and European central banks continued their tightening cycles under the mounting inflationary pressures, resulting in increasing interest rates and currency exchange rate fluctuations. Internally, the economic inflection point remains uncertain due to factors such as the persistent rise in unemployment rates and a decline in consumer sentiment following the aftermath of the pandemic.

However, during the Period, the government further enhanced the legal and regulatory framework for solid waste classification to optimize waste sorting, promote Zero-Waste Cities, and improve the living environment. At the same time, enterprises are encouraged to progressively construct a management platform for solid waste classification by leveraging the advancements in next-generation information technology, so as to achieve "unified management through one network" for waste classification. Furthermore, significant efforts were made for the standardization, intelligent transformation and upgrade of environmental sanitation equipment, fostering the industry's transition towards technology-driven and intelligent operations. These efforts help WTE companies to gain access to the solid waste industry chain for synergistic processing among projects, realize full coverage of innocuous waste treatment and address inadequacies, providing new development opportunities for the solid waste industry.

FINANCIAL PERFORMANCE

In the first half of 2023, the Group's revenue decreased by 27.5% year-on-year to HK$2,981.0 million, and the decrease in total revenue was mainly due to a 53.8% year-on-year decrease in the Group's construction revenue generated from project construction to HK$997.2 million as most of the Group's WTE projects have been put into operation. Net profit for the period of the Group decreased by 18.2% year-on-year to HK$640.7 million, mainly due to a significant increase in interest rates and around 8% depreciation of RMB during the Period. However, if excluding the impact of the increase of 13.4% in the interest expenses and the impact of exchange during the Period, net profit for the period of the Group decreased by 1.6%. During the Period, the decline in the Group's profit was less than the decline in revenue, indicating that higher-margin revenue from WTE operation and the revenue from environmental hygiene services have partially compensated for the decrease in construction revenue. At the same time, the gross profit margin and the EBITDA margin of the Group increased from 30.3% to 38.0% and from 39.1% to 48.5% respectively, which reflected the enhancement in the quality of profit.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board has resolved to declare an interim dividend of HK4.9 cents per Share for the six months ended 30 June 2023 (corresponding period in 2022: HK6.2 cents).

BUSINESS REVIEW

In the first half of 2023, the Group's overall operation remained stable and saw enhancement amid various challenges, and it showed that the WTE business of the Group has moved from the construction phase to a new phase of high quality operation. As most of the projects of the Group has begun operation, the operating cash flow has turned positive and recorded an inflow of HK$384.9 million. On the other hand, the Group increased the efforts in expanding the upstream and downstream segments of the industrial chain, as well as proactively utilized the "Incineration +" industrial chain to develop businesses such as environmental hygiene, landfill remediation and synergistic supply of stream, for the aim of revenue stream diversification.

As at 30 June 2023, the Group had secured 36 WTE projects with a total daily MSW processing capacity of 54,540 tonnes. The Group has a total of 32 projects in operation with a total daily MSW processing capacity of 42,690 tonnes, which Yi County WTE plant has been put into trial operation during the Period with an increase of 800 tonnes in daily processing capacity. During the Period, the Group innocuously treated 8,082,573 tonnes of waste,which increased by 18.3% year-on-year; generated 3,079,463,000 kWh of green energy, which increased by 19.4% year-on-year; saved 736,000 tonnes of standard coal, which increased by 11.9% year-on-year; offset 4,040,000 tonnes of carbon dioxide equivalent emissions, which increased by 16.0% year-on-year. On the other hand, in August 2023, Yingkou WTE project received the registration approval from VCS that the estimated annual emission reductions of carbon dioxide equivalent reached 245,000 tonnes.

With the majority of the Group's WTE projects in operation, the Group has increased its investments in developing the upstream and downstream businesses on the WTE industry chain. As at the announcement date, the Group's integrated environmental sanitation business achieved breakthroughs in contract volume and market coverage, signaling that the environmental hygiene business has entered into the development stage. During the Period, the Group successfully secured multiple environmental sanitation projects, including the Urban-Rural Environmental Sanitation and MSW Compression, Transfer and Processing Project (城鄉環衛和生活垃圾壓縮轉運及處理項目) in Quyang County, Hebei Province, with a service period of 25 years and a contract value of RMB3,256 million, which was the Group's first environmental sanitation project exceeding RMB3,000 million. Furthermore, in July 2023, the Group achieved a market breakthrough by being awarded the contract for the Hong Kong Waste Transfer Station for the first time, laying a solid foundation for the development of our environmental protection industrial chain in Hong Kong. The awarded sum for this project was HK$2,818 million, with a duration of 10 years. The successful award of large-scale contracts both in mainland China and Hong Kong reflects the international recognition gained by our operational capabilities in waste treatment and transfer. Our "Incineration +" business strategy has effectively facilitated the synergistic development of the WTE industry chain in both upstream and downstream segments, supporting the Group's expansion and penetration in its environmental sanitation business and enabling the provision of high-quality smart city management services.

As a leading enterprise in the environmental protection industry in China, the Group is committed to fulfilling its social responsibilities, and has taken the initiative to undertake the social responsibility of environmental protection education to deepen the public's understanding of the process of waste incineration. During the Period, the Education, Science and Research Base (科普學研基地) of the Zhongshan Project was awarded the national "AAA Tourist Attraction", demonstrating that our efforts in environmental protection education have gained wide professional and social recognition.

The Group is wholeheartedly committed to pursuing sustainable development, and our determination and achievements have been highly recognised by the market and professional circles. During the Period, the Group was again voted the "Most Honored Companies — Utilities & Alternative Energy" in the 2023 "All-Asia Executive Team" by *Institutional Investor*, an international authoritative financial magazine, and won the "Eco Challenger (Services Sector) — Bronze Award" at the "BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022". The Group was also bestowed with the "2023 ESG Model Enterprise Award" and the "2023 Green and Sustainable Development Contribution Award" at the "2023 International Green-Zero Carbon Festival cum 2023 ESG Leader Summit.

OUTLOOK

In the current world where profound changes unseen in a century are accelerating, the government continues unwaveringly to prioritize its ecological commitments, and pursue green and low-carbon development. These efforts aim to establish a sound, green, low-carbon circular economic development system, while promoting comprehensive green transformation in economic and social development. In addition, the government has made significant strategic deployments to promote harmonious coexistence between humans and nature. In the next five years, there will be a noticeable improvement in the urban and rural living environment; by 2035, eco-friendly ways of work and life will be broadly established, and carbon emissions will be steadily lower after reaching a peak, leading to the predominant goal accomplishment of building a Beautiful China. With the national commitment to building a Beautiful China, the environmental industry supports the development of green and low-carbon industries, and therefore it is believed that the industry will embrace the opportunities come with transformation.

Currently, waste incineration has become the primary method for MSW treatment, and achieving "zero landfill" for domestic waste is a growing trend. The waste incineration industry has entered a stage of steady development. The Group will further develop its WTE business, continue with the "Incineration +" business strategy, and actively deploy in "integrated management for solid waste" (固廢一體化). These efforts will facilitate the synergistic development of the WTE industry chain in both upstream and downstream segments, supporting the Group's expansion and deepening in its environmental sanitation business. At the same time, as a major WTE enterprise in China, the Group will actively respond to the national initiative to promote the development of the Guangdong-Hong Kong-Macao Greater Bay Area. Rooted in Guangdong and located in the core area of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will expand its regional business footprint in the future, and pursue the synergistic development in the Guangdong-Hong Kong-Macao Greater Bay Area market, with a focus on efficient and high-quality green management so as to provide reliable, leading, and innovative solid waste management services. Looking forward, the Group will leverage on its own resource advantages to establish an integrated solid waste industry chain and achieve project synergy. By aligning the environmental sanitation business with the technological and smart transformation and upgrade, we will further strategically develop the smart city management business. Such move will facilitate the development transformation and upgrade of the Group, while exploring new avenues for profit growth.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, business partners and stakeholders for their continued and unfailing support, as well as working with us to achieve our mission "to protect the blue sky and clean water, and build a beautiful home". By carrying on with the trust and support from all parties into the future, Canvest remains committed to its philosophy to "unite as one, work meticulously, and strive for excellence", and will capitalize on the opportunities arising from the thriving green industry in the domestic market to achieve sustainable growth.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 23 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**2,981,021**	4,111,537
Cost of sales	*4*	**(1,847,818)**	(2,864,208)
Gross profit		**1,133,203**	1,247,329
General and administrative expenses	*4*	**(278,840)**	(264,093)
Other income	*5*	**103,392**	104,039
Other losses, net	*6*	**(11,858)**	(3,355)
Operating profit		**945,897**	1,083,920
Interest income	*7*	**7,773**	8,035
Interest expense	*7*	**(318,644)**	(280,905)
Interest expense, net	*7*	**(310,871)**	(272,870)
Share of net profits of associates and joint ventures		**74,205**	106,408
Profit before income tax		**709,231**	917,458
Income tax expense	*8*	**(68,545)**	(134,405)
Profit for the period		**640,686**	783,053
Attributable to:			
Equity holders of the Company		**610,271**	774,002
Non-controlling interests		**30,415**	9,051
		640,686	783,053
Earnings per share			
— basic (expressed in HK cents per share)	*9(a)*	**25.1**	31.9
— diluted (expressed in HK cents per share)	*9(b)*	**25.1**	31.9

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**640,686**	783,053
Other comprehensive loss, net of tax:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(234,866)**	(47,345)
Other comprehensive loss for the period, net of tax	**(234,866)**	(47,345)
Total comprehensive income for the period	**405,820**	735,708
Attributable to:		
Equity holders of the Company	**383,786**	737,340
Non-controlling interests	**22,034**	(1,632)
	405,820	735,708

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2023

	Note	**As at 30 June 2023 (Unaudited)** ***HK$'000***	As at 31 December 2022 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Right-of-use assets		**459,716**	475,737
Property, plant and equipment		**1,334,087**	1,158,951
Intangible assets		**15,025,561**	14,569,667
Interests in associates and joint ventures		**1,544,609**	1,461,723
Long-term deposits and prepayments	*11*	**278,025**	432,445
Receivables under service concession arrangements		**3,167,448**	3,242,873
		21,809,446	21,341,396
Current assets			
Inventories		**33,673**	30,569
Other receivables, deposits and prepayments	*11*	**820,623**	876,949
Receivables under service concession arrangements		**275,842**	266,752
Trade receivables	*11*	**1,653,985**	1,316,320
Restricted deposits		**127,088**	124,626
Time deposits		**20,411**	22,500
Cash and cash equivalents		**1,816,444**	1,809,883
		4,748,066	4,447,599
Assets classified as held-for-sale		**—**	31,186
		4,748,066	4,478,785
Total assets		**26,557,512**	25,820,181
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**24,395**	24,395
Share premium		**2,640,551**	2,640,551
Other reserves		**699,926**	866,301
Retained earnings		**5,606,568**	5,171,787
		8,971,440	8,703,034
Non-controlling interests		**343,607**	300,872
Total equity		**9,315,047**	9,003,906

	Note	As at 30 June 2023 (Unaudited) HK$'000	As at 31 December 2022 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**12,130,683**	11,838,520
Deferred income tax liabilities		**920,948**	941,508
Deferred government grants		**180,127**	189,807
Other non-current liabilities		**11,333**	10,400
		13,243,091	12,980,235
Current liabilities			
Trade and other payables	*12*	**2,325,257**	2,014,727
Current income tax liabilities		**47,104**	62,280
Bank borrowings		**1,614,774**	1,743,809
Lease liabilities		**—**	2,751
Deferred government grants		**12,239**	12,473
		3,999,374	3,836,040
Total liabilities		**17,242,465**	16,816,275
Total equity and liabilities		**26,557,512**	25,820,181
Net current assets		**748,692**	642,745
Total assets less current liabilities		**22,558,138**	21,984,141

Notes to the condensed consolidated interim financial information:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Significant events and transactions

(a) Acquisition of non-controlling interest

On 18 February 2023, the Group entered into an equity transfer agreement with the non-controlling interest holder of Shaoguan Canvest Environmental Power Company Limited ("Shaoguan Canvest") to acquire 0.5% equity interests of Shaoguan Canvest with a total consideration of RMB661,000 (equivalent to HK$726,000). Upon the completion of acquisition, the Group owns 99.9% equity interest in Shaoguan Canvest.

(b) Disposal of a joint venture

On 14 February 2023, the Group entered into a sale and purchase agreement to dispose of 55% equity interest in Hengyang Canvest Environmental Construction Power Company ("Hengyang Canvest") at a consideration of RMB31,000,000 (equivalent to HK$35,197,000). The entire interest in Hengyang Canvest has been classified as "Assets classified as held-for-sale" as at 31 December 2022. Upon the completion of the disposal, Hengyang Canvest is no longer be a joint venture of the Group.

(c) Disposal of an associate

On 13 February 2023, the Group entered into a sale and purchase agreement to dispose of 20% equity interest in Shen County Nanyi New Energy Power Company Limited ("Shen County Nanyi") at a consideration of RMB1,582,000 (equivalent to HK$1,738,000). The entire interest in Shen County Nanyi has been classified as "Assets classified as held-for-sale" as at 31 December 2022. Upon the completion of the disposal, Shen County Nanyi is no longer be an associate of the Group.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Estimation of income tax

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

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period:

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

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

(b) New standards and amendments to standards that have been issued but are not yet effective

Certain new and amended standards have been issued and but are not yet effective for the year beginning on 1 January 2023 and have not been early adopted by the Group during the six months ended 30 June 2023.

Standards/Interpretations	Subject	Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be announced

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

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the six months ended 30 June 2023, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — waste-to-energy ("WTE") project construction and operation (2022: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China ("PRC"). All of the Group's revenue is generated in the PRC and most of its non-current assets are located in the PRC for the six months ended 30 June 2023 (2022: same).

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from power sales	**1,219,438**	1,211,562
Waste treatment fee	**517,052**	556,844
Revenue from project construction services	**997,198**	2,157,761
Finance income from service concession arrangements	**96,181**	86,329
Environmental hygiene and other services income	**151,152**	99,041
	2,981,021	4,111,537

For the six months ended 30 June 2023, the Group had transactions with three (six months ended 30 June 2022: two) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK$590,812,000, HK$384,599,000 and HK$376,460,000 were derived from the largest, the second largest and the third largest customers for the six months ended 30 June 2023, respectively, while revenue of approximately HK$432,030,000 and HK$412,082,000 was derived from the largest and the second largest customer for the six months ended 30 June 2022, respectively.

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Maintenance cost	**101,618**	101,982
Environmental protection expenses	**203,102**	233,241
Research and development costs	**29,354**	24,210
Impairment of trade receivables	**2,334**	3,000
Impairment of receivables under service concession arrangements	**2,929**	7,000
Remuneration to the Company's auditor		
— Audit services	**1,500**	1,500
Remuneration to other auditors		
— Audit services	**348**	579
— Non-audit services	**149**	—
Employee benefit expenses	**312,804**	306,718
Depreciation and amortisation		
— Property, plant and equipment	**75,791**	76,371
— Intangible assets	**331,686**	324,096
— Right-of-use assets	**11,328**	10,037
Other lease expenses*	**6,141**	5,528
Donation	**1,145**	1,208
Construction cost recognised for project construction services (included in cost of sales)	**830,998**	1,836,572

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

5 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Value-added tax ("VAT") refund *(Note (i))*	**61,068**	64,433
Revenue from non-hazardous waste handling	**8,413**	6,570
Sales of bottom ash and scrap materials	**21,997**	17,859
Amortisation of deferred government grants *(Note (ii))*	**6,294**	5,618
Government subsidies *(Note (iii))*	**1,381**	160
Others	**4,239**	9,399
	103,392	104,039

Notes:

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

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

(iii) Government subsidies for the six months ended 30 June 2023 mainly represent cash subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilizing employment (six months ended 30 June 2022: the amount mainly represents cash subsidies in respect of the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administrative Region Government and subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilizing employment). There were no unfulfilled conditions and other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.

6 OTHER LOSSES, NET

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of an associate and a joint venture *(Note)*	**5,328**	—
(Loss)/gain on disposal of property, plant and equipment	**(36)**	19
Exchange losses, net	**(17,150)**	(3,374)
	(11,858)	(3,355)

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

7 INTEREST INCOME AND EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**(331,050)**	(288,632)
Interest expense on lease liabilities	**(16)**	(94)
Less: amount capitalised on qualifying assets	**12,422**	7,821
	(318,644)	(280,905)
Interest income from bank deposits	**7,773**	7,448
Interest income from an associate	**—**	587
Interest expense, net	**(310,871)**	(272,870)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
PRC enterprise income tax	**72,858**	62,698
Hong Kong profits tax	**—**	—
Total current income tax	**72,858**	62,698
Deferred income tax	**(4,313)**	71,707
Income tax expense	**68,545**	134,405

For the six months ended 30 June 2023, subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are subject to Hong Kong profits tax at a rate of 8.25% and the remaining assessable profits of this subsidiary subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax has been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the period (for the six months ended 30 June 2022: same).

Subsidiaries incorporated in the PRC are subject to a tax rate of 25% for the six months ended 30 June 2023 and 2022 on the assessable profits arising in or derived from the PRC except certain subsidiaries were entitled to enterprise income tax ("EIT") incentive that the project would be fully exempted from the PRC enterprise income tax for three years starting from the tax year in which the project recorded its operating revenue for the first time, followed by a 50% tax reduction for the ensuing three years.

In addition, certain PRC subsidiaries operating in western region of the PRC were entitled to a concessionary tax rate of 15% from 2021 to 2030 pursuant to the "Continuation of Preferential EIT policies in the Western Region" (2020 Announcement No. 23) jointly issued by Ministry of Finance, State Taxation Administration and National Development and Reform Commission of the PRC (for the six months ended 30 June 2022: same).

Besides, certain PRC subsidiaries were approved as High and New Technology Enterprise and subject to a preferential EIT rate of 15% (for the six months ended 30 June 2022: same).

Subsidiaries	Applicable tax rate Six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
Dongguan China Scivest Environmental Power Company Limited		
— phase 1 of its project	**15%**	15%
— phase 2 of its project	**12.5%**	12.5%
Dongguan Eco-Tech Environmental Power Company Limited		
— phase 1 of its project	**15%**	15%
— phase 2 of its project	**15%**	12.5%
Qianxinan Canvest Environmental Power Company Limited		
— phase 1 of its project	**15%**	15%
— phase 2 of its project	**15%**	7.5%
Laibin Canvest Environmental Power Company Limited	**15%**	7.5%
Zhongshan City Guangye Longcheng Environmental Company Limited		
— phase 1 of its project	**25%**	12.5%
— phase 2 of its project	**0%**	0%
Beiliu Canvest Environmental Power Company Limited	**4.5%**	7.5%
Lufeng Canvest Environmental Power Company Limited	**12.5%**	12.5%
Xinfeng Canvest Environmental Power Company Limited	**7.5%**	12.5%
Xinyi Canvest Environmental Power Company Limited	**12.5%**	0%
Maoming Canvest Environmental Power Company Limited	**12.5%**	0%
Zaozhuang Zhongke Environmental Energy Company Limited	**12.5%**	0%
Zaozhuang Canvest Environmental Company Limited	**0%**	0%
Shaoguan Canvest Environmental Power Company Limited	**0%**	0%
Xuwen Canvest Environmental Power Company Limited	**0%**	0%
Dehong Canvest Environmental Power Company Limited	**0%**	0%
Yingkou Canvest Power Environmental Company Limited	**0%**	0%
Baoding Canvest Kewei Environmental Power Company Limited	**0%**	0%
Qingyuan City Zhongtian New Energy Company Limited	**0%**	0%
Linfen Canvest Environmental Power Company Limited	**0%**	0%
Xiangyun Shengyun Environmental Energy Company Limited	**0%**	0%
Qiandongnanzhou Liping Canvest Environmental Power Company Limited	**0%**	0%
Jingjiang Canvest Environmental Power Company Limited	**0%**	0%
Taizhou Canvest Environmental Power Company Limited	**0%**	25%
Baoding Yi County Canvest Environmental Power Company Limited	**0%**	25%

9 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**610,271**	774,002
Weighted average number of ordinary shares in issue *(thousand shares)*	**2,429,441**	2,429,441
Basic earnings per share *(HK cents)*	**25.1**	31.9

(b) Diluted

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

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

Diluted earnings per share for the six months ended 30 June 2023 and 2022 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have no dilutive effect on the basic earnings per share.

10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK4.9 cents per ordinary share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK6.2 cents per ordinary share), which will be payable on or about Thursday, 30 November 2023 to shareholders whose names appear on the register of members of the Company on Friday, 15 September 2023. The interim dividend, amounting to HK$119,538,000 (six months ended 30 June 2022: HK$151,252,000), has not been recognised as a dividend payable in the condensed consolidated interim financial information. The amount of interim dividend declared for the six months ended 30 June 2023 was calculated based on the number of ordinary shares in issue at the date of this announcement (i.e. 23 August 2023).

The final dividend of HK4.7 cents per ordinary share for the year ended 31 December 2022 (for the year ended 31 December 2021: HK5.8 cents per ordinary share) has been approved by the shareholders at the annual general meeting of the Company held on Thursday, 15 June 2023, and was subsequently paid on Monday, 31 July 2023. The final dividends for the year ended 31 December 2022, amounting to HK$114,658,000, have been recognised as dividends payable as at 30 June 2023.

11 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2023 (Unaudited) ***HK$'000***	As at 31 December 2022 (Audited) *HK$'000*
Non-current assets		
Prepayments for property, plant and equipment and concession rights	**276,627**	431,026
Deposits and prepayments	**1,398**	1,419
	278,025	432,445
Current assets		
Trade receivables		
— Trade receivables *(Note)*	**1,668,252**	1,328,253
— Less: Impairment of trade receivables	**(14,267)**	(11,933)
	1,653,985	1,316,320
Other receivables, deposits and prepayments		
— Deposits and prepayments	**25,114**	23,901
— Other receivables *(Note)*	**239,403**	239,912
— Value-added tax recoverable	**583,062**	640,092
— Less: Impairment of other receivables	**(26,956)**	(26,956)
	2,474,608	2,193,269
	2,752,633	2,625,714

Note: As at 30 June 2023, included in "Trade receivables" are receivables of HK$11,488,000 (31 December 2022: HK$9,347,000) due from a subsidiary of the Group's associate, which are unsecured, interest-free and repayable on the twenty-fifth of next month according to the credit terms; receivables of HK$2,654,000 (31 December 2022: nil) due from a subsidiary of the Group's associate, which are unsecured, interest-free and repayable on credit terms of 10 days after the receipt of VAT invoices; and receivables of HK$2,077,000 (31 December 2022: nil) due from a subsidiary of the Group's associate, which are unsecured, interest-free and repayable on the twentieth of every 2 months according to the credit terms. As at 30 June 2023, included in "Other receivables" are receivables of HK$551,000 (31 December 2022: HK$1,040,000) due from the Group's associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms.

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

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables which are long overdue with significant balances, they are assessed individually for impairment allowance. The loss allowance was assessed to be HK$14,267,000 as at 30 June 2023 (31 December 2022: HK$11,933,000).

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
	HK$'000	*HK$'000*
Up to 1 month *(Note)*	**920,121**	776,568
1 to 3 months	**207,862**	169,590
3 to 6 months	**207,292**	160,452
Over 6 months	**318,710**	209,710
	1,653,985	1,316,320

Note: As at 30 June 2023, the balance includes government on-grid tariff subsidy receivables of HK$574,344,000 (31 December 2022: HK$486,608,000) for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance of the PRC.

As at 30 June 2023, other receivables mainly include refundable tender deposits for potential projects (31 December 2022: same).

If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses. As at 30 June 2023, the impairment was assessed to be HK$26,956,000 in respect of other receivables (31 December 2022: HK$26,956,000).

12 TRADE AND OTHER PAYABLES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
	HK$'000	*HK$'000*
Current liabilities		
Trade payables *(Note)*	**363,628**	324,751
Construction payables	**1,528,052**	1,385,563
Dividend payable *(Note 10)*	**114,658**	—
Accruals and other payables	**318,919**	304,413
	2,325,257	2,014,727

Note: As at 30 June 2023, included in "Trade payables" are payables of HK$39,454,000 (31 December 2022: HK$46,481,000) due to the Group's associate, which are unsecured, interest-free and repayable on credit terms of 10 days after the receipt of VAT invoices, and monitoring fee payables of HK$2,439,000 (31 December 2022: 1,824,000) due to a related party, which are unsecured, interest free and repayable upon the receipt of the VAT invoice.

Accruals and other payables mainly include accrued staff costs and other staff benefits and VAT payables.

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

	As at 30 June 2023 (Unaudited) ***HK$'000***	As at 31 December 2022 (Audited) *HK$'000*
Up to 1 month	**207,341**	216,119
1 to 2 months	**37,463**	38,246
2 to 3 months	**20,246**	21,038
Over 3 months	**98,578**	49,348
	363,628	324,751

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, amid the complex and volatile international environment, the global economy was affected by the continuous interest rate hikes by the central banks of the United States and Europe, the rapid escalation of interest rates and the fluctuation of currency exchange rates. Meanwhile, China's economy was affected by the decline in the spending desirability of consumers and other factors during the post-pandemic period.

China's economy is facing challenges due to multiple uncertainties, but at the same time, China's economic and social development has entered a high-quality development stage of green and low-carbon development, and the construction of ecological civilization was still in a critical period of overlapping pressure and burden. In January 2023, the National Development and Reform Commission of the PRC issued the "Notice on Accelerating the Implementation Plan to Address the Shortcomings and Weaknesses of Domestic Waste Incineration Treatment Facilities in County-level Areas" (《關於加快補齊縣級地區生活垃圾焚燒處理設施短板弱項的實施方案的通知》), mentioning that most of the county-level areas will basically realise the full coverage of municipal solid waste incineration processing capacity by 2025. China's WTE business has entered a established track, and enterprises are actively responding to changes in the industry.

Looking forward, Canvest will further develop its WTE business and continue to promote strategic expansion by developing environmental hygiene and related services with potential growth along the upstream and downstream, in order to further reinforce the integration of the industrial chain of WTE and integrated environmental sanitation business and thus achieving the "Incineration +" business model gradually. At the same time, the Group will also seize the opportunities arising from the national intelligent transformations and upgrades and the promotion of the industry transition towards technology-driven and intelligent operations, to actively explore businesses related to solid waste industry chain. Facing the challenges ahead, the Group will actively explore green technology projects and continue to expand other integrated smart city management services to enhance the overall competitiveness of the Group.

OVERALL PERFORMANCE

For the six months ended 30 June 2023, the Group's revenue was HK$2,981.0 million (corresponding period in 2022: HK$4,111.5 million). Revenue from power sales and waste treatment was HK$1,736.5 million (corresponding period in 2022: HK$1,768.4 million). Gross profit margin was 38.0% (corresponding period in 2022: 30.3%). The operating profit was HK$945.9 million (corresponding period in 2022: HK$1,083.9 million). EBITDA margin was 48.5% (corresponding period in 2022: 39.1%). Profit attributable to equity holders of the Company was HK$610.3 million (corresponding period in 2022: HK$774.0 million). Basic earnings per Share was HK25.1 cents (corresponding period in 2022: HK31.9 cents).

During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 8,082,573 tonnes, representing an increase of 18.3% as compared with 6,829,404 tonnes in the corresponding period in 2022. The Group generated 3,079,463,000 kWh from green energy, representing an increase of 19.4% as compared with 2,579,150,000 kWh in the corresponding period in 2022, sold 52,432 tonnes of steam, representing an increase of 279.0% as compared with 13,834 tonnes in the corresponding period in 2022, saved 736,000 tonnes of standard coal and offset 4,040,000 tonnes of carbon dioxide equivalent emissions.

I. WASTE-TO-ENERGY BUSINESS

Projects and Processing Capacity

As at 30 June 2023 and the date of this announcement, the Group has 36 operating, secured and announced projects in our portfolio with daily MSW processing capacity of 54,540 tonnes. The operating daily MSW processing capacity of 32 projects, which included Yi County WTE plant commenced trial operation during the period under review, reached 42,690 tonnes.

During the period under review, the Group's WTE business maintains relatively stable.

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

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

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

		Six months ended 30 June	
		2023	2022
Southern China Region	**Guangdong Province**		
	Processed MSW *(tonnes)*	**4,662,140**	4,311,435
	Power generated *(MWh)*	**1,815,276**	1,718,945
	Power sold *(MWh)*	**1,588,756**	1,488,939
	Guangxi Zhuang Autonomous Region		
	Processed MSW *(tonnes)*	**372,644**	429,581
	Power generated *(MWh)*	**146,346**	157,431
	Power sold *(MWh)*	**130,329**	138,177
	Guizhou Province		
	Processed MSW *(tonnes)*	**333,858**	324,193
	Power generated *(MWh)*	**125,329**	116,577
	Power sold *(MWh)*	**107,474**	98,766
Western China Region	Processed MSW *(tonnes)*	**747,402**	519,678
	Power generated *(MWh)*	**278,444**	181,880
	Power sold *(MWh)*	**236,279**	155,860
Eastern China Region	Processed MSW *(tonnes)*	**1,049,851**	518,685
	Power generated *(MWh)*	**442,201**	171,428
	Power sold *(MWh)*	**366,534**	149,609
Northern China and Northeast China Regions	Processed MSW *(tonnes)*	**721,086**	573,179
	Power generated *(MWh)*	**208,965**	172,987
	Power sold *(MWh)*	**176,460**	147,377
Central China Region	Processed MSW *(tonnes)*	**195,592**	152,653
	Power generated *(MWh)*	**62,902**	59,902
	Power sold *(MWh)*	**54,889**	52,787
Total	Processed MSW *(tonnes)*	**8,082,573**	6,829,404
	Power generated *(MWh)*	**3,079,463**	2,579,150
	Power sold *(MWh)*	**2,660,721**	2,231,515

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

During the period under review, 15 WTE plants located in Guangdong Province continued to provide contributions. Huizhou WTE plant is currently under construction, while Huidong WTE project is currently in the planning stage.

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

Western China Region

4 WTE plants located in Sichuan Province and Yunnan Province continued to provide contributions during the period under review.

Eastern China Region

1 WTE plant located in Shandong Province, 1 WTE plant located in Shanghai, and 2 WTE plants located in Jiangsu Province continued to provide contributions during the period under review.

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

Northern China and Northeast China Regions

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

Central China Region

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

II. ENVIRONMENTAL HYGIENE AND RELATED SERVICES

The Group, through Yuezhan and Sichuan Jiajieyuan, operated 27 integrated environmental sanitation projects located at Sichuan Province, Guangxi Zhuang Autonomous Region, Hebei Province and Guangdong Province. In Hong Kong, the Group, though Johnson, a leading environmental hygiene service provider, provided a wide range of environmental services in Hong Kong. These projects continued to provide contributions to the Group during the period under review.

The Group was contracted 5 landfill restoration projects located at Guizhou Province and Guangdong Province. On 3 March 2023, Canvest Yuezhan Solid entered into the waste processing service agreement with Dazhou SIIC, pursuant to which Canvest Yuezhan Solid will transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant, dispose the solidified fly ash generated from Dazhou WTE plant to the landfill and detect and repair impermeable membranes at the landfill for three years. Operations management agreement of Dazhou WTE plant and waste processing service agreement of Dazhou SIIC constitute continuing connected transaction and is categorized as de minimis transaction under Listing Rules.

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

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

During the period under review, Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC, continued to provide contributions to the Group. Dongguan Xindongyue processed 76,807 tonnes of solidified fly ash and continued to provide contributions to the Group.

III. MANAGEMENT AND OPERATION 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 period under review, the Group provided smart car parking solutions for over 48,000 parking spaces, covering Guangdong Province, Hebei Province, Chongqing Municipality, Hubei Province, Shandong Province and Hunan Province.

The rapid expansion of environmental hygiene and smart car parking businesses demonstrate our implementation to "Incineration +" strategy.

ANALYSIS OF FINANCIAL RESULTS

Revenue

In the first half of 2023, the Group's revenue decreased by 27.5% to HK$2,981.0 million as compared with the corresponding period last year, and the decrease in total revenue was mainly due to a 53.8% decrease in the Group's construction revenue to HK$997.2 million as compared with the corresponding period last year. It is attributable to most of the Group's WTE projects have been put into operation and the WTE industry has entered a mature stage with fewer new projects. Yet, the revenue from power sales, waste treatment fees and environmental hygiene and other services income was increased as compared with the corresponding period last year. Excluding the impact of currency exchange during the Period, the revenue of the Group was only decreased by approximately 21.7%.

The following table sets forth the breakdown of revenue for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from power sales	**1,219,438**	**40.9%**	1,211,562	29.5%
Revenue from waste treatment fees	**517,052**	**17.3%**	556,844	13.5%
Revenue from project construction services	**997,198**	**33.5%**	2,157,761	52.5%
Finance income from service concession arrangements	**96,181**	**3.2%**	86,329	2.1%
Environmental hygiene and other services income	**151,152**	**5.1%**	99,041	2.4%
Total	**2,981,021**	**100.0%**	4,111,537	100.0%

The following table sets forth the breakdown of the Group's revenue by region for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Southern China Region	**1,508,802**	**50.6%**	2,505,710	60.9%
Central China Region	**56,654**	**1.9%**	57,822	1.4%
Western China Region	**108,649**	**3.6%**	377,755	9.2%
Northern China and Northeast China Regions	**797,328**	**26.8%**	760,107	18.5%
Eastern China Region	**509,588**	**17.1%**	410,143	10.0%
Total	**2,981,021**	**100.0%**	4,111,537	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.

During the period under review, the cost of sales decreased by 35.5% from HK$2,864.2 million in 2022 to HK$1,847.8 million in 2023. The decrease was mainly attributable to the decrease in construction cost for project construction services.

Gross Profit and Gross Profit Margin

During the period under review, gross profit of the Group amounted to HK$1,133.2 million, representing a decrease of 9.1% as compared to HK$1,247.3 million in 2022. The decrease in gross profit was mainly attributable to the decrease in the project construction services. Excluding the impact of currency exchange during the Period, the gross profit of the Group was only decreased by approximately 1.9%.

The following table sets forth the breakdown of the Group's gross profit by nature for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023			2022
	HK$'000	***%***	*HK$'000*	*%*
Power sales and waste treatment operations	**811,181**	**71.6%**	812,252	65.1%
Project construction services	**166,200**	**14.6%**	321,189	25.8%
Finance income from service concession arrangements	**96,181**	**8.5%**	86,329	6.9%
Environmental hygiene and other services	**59,641**	**5.3%**	27,559	2.2%
Total	**1,133,203**	**100.0%**	1,247,329	100.0%

Gross profit margin of the Group increased from 30.3% in the corresponding period in 2022 to 38.0% in the current period of 2023. The increase was mainly due to the decrease in portion of construction revenue which has lower gross profit margin and better gross profit margin from the environmental hygiene and other services segment.

The following table sets forth the Group's gross profit margin by nature for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June	
	2023	2022
	Gross profit margin	*Gross profit margin*
Power sales and waste treatment operations	**46.7%**	45.9%
Project construction services	**16.7%**	14.9%
Finance income from service concession arrangements	**100.0%**	100.0%
Environmental hygiene and other services	**39.5%**	27.8%
Gross profit margin of the Group	**38.0%**	30.3%

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 5.6% from HK$264.1 million in the corresponding period in 2022 to HK$278.8 million in the current period of 2023. It was mainly due to additional WTE projects under operation and increase in research and development expenses for innovation and digitalization.

Other Income

Other income mainly consisted of VAT refund, amortization of deferred government grants and others. Other income decreased by 0.6% from HK$104.0 million in the corresponding period in 2022 to HK$103.4 million in the current period of 2023.

Other Losses, Net

During the period under review, the Group recorded other net losses of HK$11.9 million as compared to other net losses of HK$3.4 million in the corresponding period in 2022. It was mainly due to a greater foreign exchange loss from the significant depreciation of RMB against USD was recognised in the current period of 2023.

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 13.9% from HK$272.9 million in the corresponding period in 2022 to HK$310.9 million in the current period of 2023. The increase in interest expenses was due to the increase in HIBOR, which led to the increase in interest rate of offshore borrowings.

Share of Net Profits of Associates and Joint Ventures

During the period under review, share of net profits of associates and joint ventures decreased by 30.3% from HK$106.4 million in 2022 to HK$74.2 million in 2023. It was mainly due to decrease in profit sharing from Machong WTE plant.

Income Tax Expense

Income tax expense decreased by 49.0% from HK$134.4 million in the corresponding period in 2022 to HK$68.5 million in the current period of 2023. It was mainly attributable to the decrease in deferred income tax as a result of the decrease in revenue from project construction services.

Profit Attributable to the Equity Holders of the Company

Profit attributable to the equity holders of the Company decreased by 21.2% from HK$774.0 million in the corresponding period in 2022 to HK$610.3 million in the current period of 2023. Excluding the impact of the increase in interest expenses and the impact of exchange during the Period, net profit for the period of the Group was only slightly decreased by approximately 1.6%.

Capital Structure

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

Liquidity, Financial and Capital Resources

Financial resources

During the period under review, the Group generated HK$884.0 million in cash from operating projects (corresponding period in 2022: HK$901.9 million). Net cash prepaid and used for the construction of various WTE plants under BOT arrangements amounted to HK$499.1 million (corresponding period in 2022: HK$1,696.4 million). As a result, the total net cash generated from operating activities amounted to HK$384.9 million during the period under review (corresponding period in 2022: net cash used in operating activities of HK$794.5 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 30 June 2023, the total cash and cash equivalents of the Group were HK$1,816.4 million (31 December 2022: HK$1,809.9 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 30 June 2023, the Group's bank borrowings were HK$13,745.5 million (31 December 2022: HK$13,582.3 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2022: same) and all of them were at floating interest rates (31 December 2022: same).

On 5 August 2021, 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$150.0 million for a term of 36 months from the date of drawdown has been granted to the Company. As at 30 June 2023 and as at the date of this announcement, the proceeds of HK$150.0 million have been utilized. Pursuant to the Facility Agreement I, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 5 August 2021 for further details.

On 20 April 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$250.0 million for a term of 15 months (which may be further extended for another 15 months) from the date of drawdown has been granted to the Company. The Company exercised the right to extend the loan for another 15 months in June 2023. As at 30 June 2023 and as at the date of this announcement, the proceeds of HK$250.0 million have been utilized. 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 20 April 2022 for further details.

On 25 April 2022, 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 18 months from the date of drawdown has been granted to the Company. As at 30 June 2023 and as at the date of this announcement, the proceeds of HK$150.0 million have been utilized. Pursuant to the Facility Agreement III, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 25 April 2022 for further details.

On 30 August 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement IV") with certain financial institutions pursuant to which a term loan facility in the aggregate amount of HK$2,891.0 million (with incremental facilities of up to a further HK$200.0 million) for a term of 36 months from the date of first utilisation has been granted to the Company. As at 30 June 2023 and as at the date of this announcement, this facility of HK$2,891.0 million has been utilized. Pursuant to the Facility Agreement IV, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 30 August 2022 for further details.

On 16 September 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement V") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$300.0 million for a term of 36 months from the date of first utilisation has been granted to the Company. As at 30 June 2023 and as at the date of this announcement, this facility of HK$300.0 million has been utilized. Pursuant to the Facility Agreement V, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 16 September 2022 for further details.

Net asset of the Group was HK$9,315.0 million (31 December 2022: HK$9,003.9 million). The increase in net asset was mainly attributable to the profit generated during the period under review.

The following table sets forth the analysis of the Group's borrowings as at 30 June 2023 and 31 December 2022:

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
Portion of term loans due to repayment after one year		
— secured	**12,130,683**	11,838,520
Portion of term loans due for repayment within one year or on demand		
— secured	**1,160,107**	1,444,642
— unsecured	**134,667**	149,167
Revolving loans due for repayment within one year		
— unsecured	**320,000**	150,000
Total bank borrowings	**13,745,457**	13,582,329

The gearing ratio is the ratio of total liabilities divided by total assets. As at 30 June 2023, the gearing ratio was 64.9% (31 December 2022: 65.1%).

As at 30 June 2023, the Group had banking facilities in the amount of HK$16,516.7 million, of which HK$2,715.5 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

Cost of Borrowings

For the six months ended 30 June 2023, the total cost of borrowings of the Group was HK$331.1 million (corresponding period in 2022: HK$288.6 million), representing an increase of HK$42.5 million. The increase was due to the increase in HIBOR, which led to the increase in interest rate and interest expenses of offshore borrowings. Effective interest rate ranged from 2.35% to 7.03% for the six months ended 30 June 2023 (corresponding period in 2022: 2.19% to 5.19%).

Foreign Exchange Risk

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

Commitments

As at 30 June 2023, the Group's capital commitments in relation to construction cost for BOT concession rights and property, plant and equipment, which were authorised but not contracted for, amounted to HK$1,343.9 million (31 December 2022: HK$1,470.6 million) and HK$70.0 million (31 December 2022: HK$498.0 million), respectively. Its capital commitments contracted for but not yet provided for in the consolidated financial statement in relation to construction cost for BOT concession rights and property, plant and equipment amounted to HK$556.2 million (31 December 2022: HK$1,765.9 million) and HK$346.1 million (31 December 2022: HK$147.5 million), respectively, and in relation to the capital injection to associates and joint ventures amounted to HK$65.1 million (31 December 2022: HK$201.2 million).

Pledging of shares by Controlling Shareholders

As at 30 June 2023, the Controlling Shareholders have not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

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

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

Capital Expenditures

For the six months ended 30 June 2023, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs (on accrual basis) relating to service concession arrangements amounting to HK$1,102.1 million (corresponding period in 2022: HK$1,899.4 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$769.0 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 30 June 2023, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK$35.5 million) for bank loans of Dongguan Xindongqing (31 December 2022: RMB32.3 million (equivalent to HK$36.2 million)).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 30 June 2023, the Group provided a corporate guarantee of RMB69.9 million (equivalent to HK$76.8 million) for bank loans of Zhongzhou Environmental (31 December 2022: RMB90.0 million (equivalent to HK$100.8 million)).

The Group holds 30% equity interest in Sichuan SIIC. As at 30 June 2023, the Group provided a corporate guarantee of RMB60.0 million (equivalent to HK$65.9 million) for bank loan obtained by Sichuan SIIC (31 December 2022: nil).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2023.

Pledge of Assets

As at 30 June 2023, the Group pledged certain of its rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, right-of-use assets, intangible assets and restricted deposits (31 December 2022: same) with an aggregate carrying amount of HK$13,559.7 million (31 December 2022: HK$13,786.5 million) to certain banks to secure certain credit facilities granted to the Group.

Continuing Connected Transactions

On 3 June 2021, the Company and Yue Xing entered into a supplemental leasing framework agreement ("YX Supplemental Leasing Framework Agreement") to renew and revise the annual caps in the previous leasing framework agreement (the "YX Leasing Framework Agreement") for a term of three years commencing from 1 July 2021 and will expire on 30 June 2024 (both days inclusive). The annual caps for the transactions for the period from 1 July 2021 to 31 December 2021, for the financial years ending 31 December 2022 and 2023 and for the period from 1 January 2024 to 30 June 2024 are RMB5.0 million, RMB10.0 million, RMB10.0 million and RMB5.0 million, respectively. Please refer to the announcement of the Company dated 3 June 2021 for further details. The rent paid by the Group to Yue Xing from 1 January 2022 to 6 February 2022 was HK$0.7 million.

On 7 February 2022, in order to facilitate our operations and continuing expansion and better govern the portfolio of properties available for leasing by the Group from companies controlled by Mr. Lai Chun Tung, an executive Director, (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement. On the same day, the Company and Sanyang entered into a leasing framework agreement (the "Sanyang Leasing Framework Agreement"), pursuant to which Sanyang agreed to lease certain commercial properties held by itself and companies controlled by it (including that of Yue Xing's) to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB10.8 million, RMB10.8 million, RMB10.8 million and RMB0.9 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details. For the six months ended 30 June 2023, the rent paid by the Group in relation to Sanyang Leasing Framework Agreement was HK$4.7 million (for the period from 7 February 2022 to 30 June 2022: HK$3.8 million).

On 7 February 2022, the Company and Canvest ECT entered into a monitoring and audit services agreement (the "MAS Framework Agreement"), pursuant to which Canvest ECT has been engaged to provide monitoring and audit services for the routine maintenance works for the machineries operated by the Group in the Group's WTE plants for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB6.5 million, RMB7.0 million, RMB7.5 million and RMB0.7 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details. For the six months ended 30 June 2023, the service fee amounted to HK$1.2 million (six months ended 30 June 2022: HK$1.8 million).

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. For the six months ended 30 June 2023, the management service income amounted to HK$22.0 million (for the six months ended 30 June 2022: HK$12.4 million).

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 30 June 2023, the Group employed a total of 4,814 employees, 94 of them were at management level. By geographical locations, it had 4,784 employees in the PRC and 30 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). 2,500,000 share options remained outstanding as at 31 December 2022 and as at 30 June 2023. Total remuneration costs, including Directors' remuneration, for the period under review were HK$312.8 million (corresponding period in 2022: HK$306.7 million).

On 3 May 2019, the Company adopted the Share Award Scheme in which the Eligible Persons will be entitled to participate. The objectives of the Share Award Scheme are to (i) recognise 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 30 June 2023, 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 30 June 2023, 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

In July 2023, the Group was awarded the Hong Kong North Lantau Transfer Station and Outlying Islands Transfer Facilities Second Follow-on Contract. The awarded sum amounted to HK$2,818 million for a period of 10 years.

Changes since 31 December 2022

Mr. Chung Wing Yin has retired as independent non-executive Director of the Company, chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee with effect from the conclusion of the annual general meeting of the Company held on 15 June 2023. Please refer to the announcement of the Company dated 15 June 2023 for further details.

The principal place of business of the Company in Hong Kong has been changed to 28/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong with effect from 31 May 2023.

Saved as disclosed above, there were no other significant changes in the Group's financial position or information as disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2022.

Interim Dividends

The Board has declared an interim dividend of HK4.9 cents (corresponding period in 2022: HK6.2 cents) per share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Thursday, 30 November 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 15 September 2023.

Closure of Register of Members

The Company's register of members will be closed from Wednesday, 13 September 2023 to Friday, 15 September 2023 (both days inclusive), during such period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 September 2023.

Public Float

Based on the information that is available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital held by the public for the six months ended 30 June 2023 and as at the date of this announcement.

Compliance with Corporate Governance Code

During the six months ended 30 June 2023, the Company has complied with the code provisions of the CG Code.

Model Code for Securities Transactions by Directors

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the six months ended 30 June 2023.

Review of Interim Results

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

The interim results for the six months ended 30 June 2023 have not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2023.

Publication of Interim Results and Interim Report

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2023 containing all the information required under the Listing Rules will be dispatched to the Company's Shareholders and will be posted on the above websites in due course.

Board of Directors

As at the date of this announcement, the board comprises Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man, Mr. Yuan Guozhen and Mr. Lai Chun Tung, as executive Directors; Mr. Feng Jun and Mr. Lui Ting Cheong Alexander, as non-executive Directors; Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason and Mr. Chung Kwok Nam, as independent non-executive Directors.

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

Hong Kong, 23 August 2023

GLOSSARY

Baoshan WTE plant	the WTE plant located in Baoshan District, Shanghai municipality and owned by SIIC Baojingang
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Canvest ECT	Guangdong Canvest Energy Conservation Technology Co., Ltd.** (廣東粵豐節能科技有限公司), a company incorporated in the PRC and is ultimately controlled as to 49% by Mr. Lai Chun Tung and 51% by Mr. Guo Huiqiang** (郭惠強), an associate of Mr. Lai Chun Tung, respectively
Canvest Yuezhan Solid	Canvest Yuezhan Solid Waste Treatment Technology (Guangdong) Company Limited (粵豐粵展固體廢物處理科技(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Changning	Hengyang Canvest Environmental Construction Power Company Limited** (衡陽粵豐環建電力有限公司), a company incorporated in the PRC with limited liability
China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan

Dazhou SIIC	Dazhou SIIC Environment Protection Co., Ltd** (達州上實環保有限公司), a company incorporated in the PRC with limited liability, is an indirect non-wholly owned subsidiary of Sichuan SIIC, and is principally engaged in the operation of the Dazhou WTE plant
Director(s)	director(s) of the Company
Dongguan Xindongqing	Dongguan Xindongqing Environmental Investment Company Limited** (東莞市新東清環保投資有限公司), a company incorporated in the PRC with limited liability and Dongguan Xindongyuan holds 30% equity interest of it
Dongguan Xindongyuan or Machong	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company incorporated in the PRC with limited liability and the Group holds 49% equity interest of it
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞市新東粵環保實業有限公司), a company incorporated in the PRC with limited liability and the Group holds 35% equity interest of it
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rates
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial Shareholders of our Company and our subsidiaries and their respective associates

Jianyang or Jianyang Canvest	Jianyang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it
Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955) and the Group holds 30.75% equity interest of it
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited** (粵豐科維環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
RMB	Renminbi, the lawful currency of PRC
Sanyang	Dongguan Sanyang Industrial Development Co., Ltd.** (東莞市三陽實業發展有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director, and his associate

SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share Award Scheme	the share award scheme of the Company adopted by the Board on 3 May 2019 in accordance with the rules relating to the said scheme as amended from time-to-time
Share(s)	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
Shen County	Shen County Nanyi New Energy Power Company Limited (formerly known as "Shen County Shanghai Industrial Environmental Energy Company Limited")** (莘縣南一新能源發電有限公司) (formerly known as "莘縣上實環保能源有限公司"), a company incorporated in the PRC with limited liability
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Sichuan SIIC	Sichuan SIIC Ecological Environmental Co., Ltd. (formerly known as "Sichuan SIIC Environmental Investment Development Co., Ltd.")** (四川上實生態環境有限責任公司) (formerly known as 四川上實環境投資發展有限公司), a company incorporated in the PRC with limited liability. The Group effectively holds 30% equity interest of it
SIHL	Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company
SIIC Baojingang	Shanghai SIIC Baojingang Environmental Resources Technology Co Ltd.** (上海上實寶金剛環境資源科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIHL. The Group effectively holds 18% equity interest of it
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company

US dollars or USD	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC
VCS	Verified carbon standard
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Yi County	Baoding Yi County Canvest Environmental Power Company Limited** (保定易縣粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Yingkou	Yingkou Canvest Power Environmental Company Limited** (營口粵豐電力環保有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Yue Xing	Dongguan City Yue Xing Company Limited** (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director of the Company, and his associate
Zhongshan	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Zhongzhou Environmental	Huizhou City Zhongzhou Environmental Resources Company Limited** (惠洲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*