粵豐環保電力有限公司

# Canvest Environmental Protection Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

## Capturing Immense Opportunity Creating Sustainable GROWTH



ANNUAL REPORT 2016

# CORPORATE PROFILE

Canvest Environmental Protection Group Company Limited is a leading pure play waste-to-energy provider focused solely on the development, management and operation of WTE plants. As at 22 March 2017, total operating, secured, announced and under management agreement daily MSW processing capacity of our 13 projects reached 19,090 tonnes.

In December 2014, Canvest was listed on the Main Board of The Stock Exchange of Hong Kong Limited. We used the majority of the net proceeds from our initial public offering to expand our capacity through either developing our own greenfield projects or acquiring WTE plants and upgrading them afterwards, with an aim to bring fruitful returns to our shareholders.

In January 2015, Canvest has been selected as a constituent of Hang Seng Infrastructure Index, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index – Utilities and Hang Seng Composite SmallCap Index.

In December 2016, Canvest has been selected as one of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect.

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# FINANCIAL HIGHLIGHTS

## Consolidated Statement of Profit or Loss Highlights

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2016** | 2015 | Change |
| Revenue (HK$'000) | **1,653,552** | 1,184,536 | +39.6% |
| – Among: Revenue from power sales and waste treatment (HK$'000) | **775,590** | 581,128 | +33.5% |
| Gross profit (HK$'000) | **589,289** | 439,324 | +34.1% |
| EBITDA (HK$'000) | **702,869** | 511,844 | +37.3% |
| Profit for the year (HK$'000) | **400,018** | 288,895 | +38.5% |
| Profit attributable to equity holders of the Company (HK$'000) | **400,018** | 272,001 | +47.1% |
| Basic earnings per share (HK cents) | **19.8** | 13.6 | +45.6% |
| Proposed final dividend per share (HK cents) | **1.6** | – | N/A |
| Cash generated from operating projects (HK$'000)[1] | **460,909** | 311,530 | +48.0% |

## Consolidated Balance Sheet Highlights

| | As at 31 December | | |
|---|---|---|---|
| | **2016** | 2015 | Change |
| Total assets (HK$'000) | **6,060,904** | 4,467,917 | +35.7% |
| Total liabilities (HK$'000) | **3,337,861** | 2,133,516 | +56.4% |
| – Total borrowings (including convertible loan) (HK$'000) | **2,319,321** | 1,419,895 | +63.3% |
| Equity attributable to equity holders of the Company (HK$'000) | **2,723,043** | 2,334,401 | +16.6% |
| Total liabilities/total assets | **55.1%** | 47.8% | +7.3pts |

Note:

(1) Cash generated from operating projects represented net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements.

# CORPORATE MILESTONES

## Jan 16

- Entered into an agreement with IFC for a convertible loan of HK$465.0 million
- Entered into an agreement to acquire 100% equity interest in Xingyi

## Mar 16

- Announced 2015 annual results. Profit attributable to equity holders of the Company reached HK$272.0 million
- Awarded the BOT concession right in Beiliu
- Commenced the technological upgrade of Laibin WTE plant

## Apr 16

- Zhanjiang WTE plant commenced trial operation

## May 16

- Issued new shares to Wise Power and raised net proceeds of HK$111.4 million

## Aug 16

- Entered into a management agreement in regard of the management of the construction and operation of Zhongshan Guangye WTE plant
- Announced 2016 interim results. Profit attributable to equity holders of the Company reached HK$153.8 million

## Oct 16

- Awarded the BOT concession right in Lufeng

### Revenue

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

39.6%

| 2015 | 2016 |
|---|---|
| 1,184,536 | 1,653,552 |

### Profit attributable to equity holders of the Company

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

47.1%

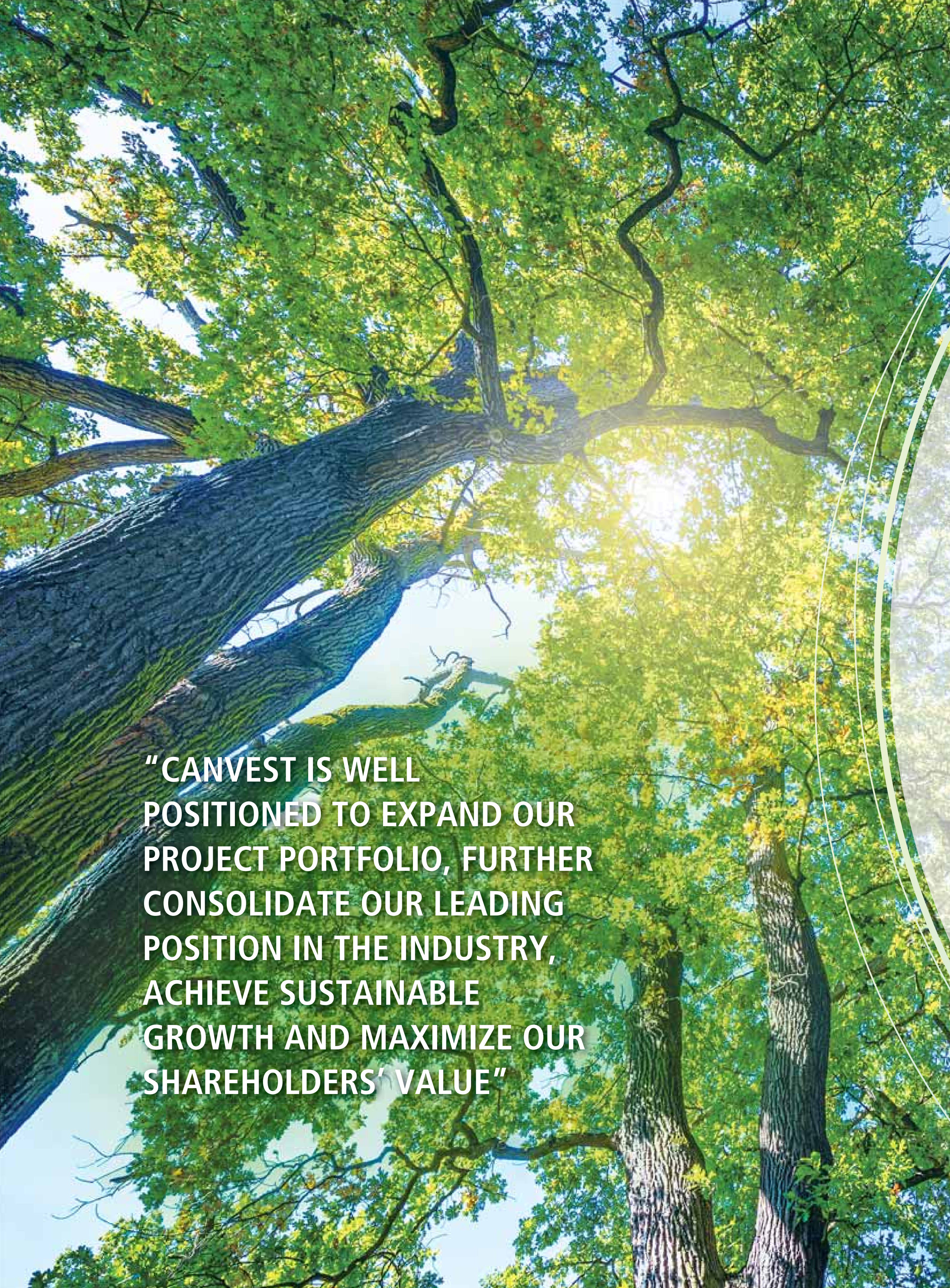
| 2015 | 2016 |
|---|---|
| 272,001 | 400,018 |

### Total assets

(as at 31 December)
HK$'000

35.7%

| 2015 | 2016 |
|---|---|
| 4,467,917 | 6,060,904 |



"CANVEST IS WELL POSITIONED TO EXPAND OUR PROJECT PORTFOLIO, FURTHER CONSOLIDATE OUR LEADING POSITION IN THE INDUSTRY, ACHIEVE SUSTAINABLE GROWTH AND MAXIMIZE OUR SHAREHOLDERS' VALUE"

## CHAIRLADY'S STATEMENT

**To all honorable Shareholders,**

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the year ended 31 December 2016 ("the year").

Reviewing China's policies supporting the Waste-to-energy industry, it is worth noting that the National Development and Reform Commission ("NDRC") has promulgated the "Plan on Urban Household Waste Treatment Facilities Construction for the 13th FYP Period" (「十三五」全國城鎮生活垃圾無害化處理設施建設規劃) in December 2016, setting higher targets for the WTE market. The national target ratio of urban household waste treatment via incineration by 2020 was raised from 31% in 2015 to 54% in 2020, and in particular, the WTE treatment target set for Guangdong Province (excluding Shenzhen) was raised significantly from 18,400 tonnes/day in 2015 to 73,000 tonnes/day in 2020, making Guangdong Province one of the highest growth potential markets for WTE treatment in China. Being the biggest non-state-owned WTE operator in Guangdong Province, we are excited to see the new growth potentials and are confident that we will directly benefit from such strong policy support.

In addition to increased market opportunities, the government has put great emphasis on the significance of sustainable development for WTE industry in China. The Ministry of Housing & Urban-Rural Development, NDRC, the Ministry of Land & Resources, and the Ministry of Environmental Protection jointly issued the "Opinion on the Enhancement of Urban Household Waste-to-Energy Work" (the "Opinion", 《關於進一步加強城市生活垃圾焚燒處理工作的意見》) in October 2016. The Opinion emphasized on the importance of (1) better site selection of incineration plants; (2) higher standard for the construction of non-polluted incineration plants; (3) better coordination of project development; and (4) better management and enhanced monitoring system for WTE projects. We believe this Opinion shows the clear support and commitment of the Central Government to develop a clean and sustainable WTE industry in China.

Since listing, we have been actively seeking strategic partners to increase our competitive advantages. At the beginning of 2017, we entered into a strategic cooperation agreement with BOC & UTRUST Private Equity Fund Management (GuangDong) Co., Ltd. ("BOC & UTRUST") and Guangdong Finance Investment International Co., Limited ("Utrust International"). The parent company of Utrust International, Utrust Investment Holdings Limited ("Utrust Holdings"), is directly under the People's Government of Guangdong Province, and is managed and supported by the Department of Finance of Guangdong Province. We believe the cooperation with Utrust Holdings will increase our competitive edge, as well as add significant value to our business development and management in the Guangdong Province.

In February 2017, Canvest entered into a subscription agreement with a strategic investor, an indirect wholly-owned subsidiary of Shanghai Industrial Holdings Limited ("SIHL"), regarding the issuance of 300,000,000 new shares at a subscription price of HK$3.5 per share, amounting to approximately HK$1,018.1 million of net proceeds. Given the controlling shareholder of SIHL is the largest overseas conglomerate enterprise under the Shanghai municipal government, such establishment of the strategic partnership will facilitate Canvest's growth and development by leveraging on the projects, technique, operation and financial edges of both parties.

CHAIRLADY'S STATEMENT

## Financial Performance

During the year, the Group's revenue increased by 39.6% year-on-year to HK$1,653.6 million and the profit attributable to equity holders of the Company increased by 47.1% year-on-year to HK$400.0 million. The increases were mainly attributable to (i) the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, which include the commencement of operation of Eco-Tech WTE plant after the completion of technological upgrade in August 2015; and (ii) the increase in construction revenue arising from various BOT projects.

After taking into consideration of the Group's development plan and investment returns to our shareholders, the Board has proposed the declaration of a final dividend of HK1.6 cents per ordinary share for the year ended 31 December 2016 (2015: nil). If approved by shareholders, the total dividend of 2016 was HK2.7 cents per share.

## Business Review

Canvest is one of the high growth companies in China's WTE industry. Since the listing two years ago, the number of projects has grown from 4 to 12 (including management contract project) by the end of 2016, and the secured, announced and under management daily MSW processing capacity has increased from 6,900 tonnes to 18,340 tonnes.

During the year, Canvest successfully added five projects to its project portfolio, including (1) a MSW daily processing capacity expansion project of 1,200 tonnes of China Scivest; (2) an acquisition of a WTE plant with 1,050 tonnes of MSW daily processing capacity in Xingyi City of Guizhou Province; (3) a BOT concession right of Beiliu WTE plant with 1,050 tonnes of MSW daily processing capacity; (4) Lufeng WTE plant with 1,600 tonnes of MSW daily processing capacity; and (5) a management agreement for the construction and operation of the Zhongshan Guangye WTE plant with 1,040 tonnes of MSW daily processing capacity. In total, the Group secured an additional MSW daily processing capacity of 5,940 tonnes (including management contract project) in 2016, setting a solid foundation for a sustainable and robust growth in the next 2 to 3 years.



## Outlook

We foresee the WTE industry will grow significantly in the coming years, and our recent strategic partnerships and cooperation with both Utrust Holdings and SIHL have greatly enhanced our financial position as well as our project reach both in Guangdong Province and in China. To continue our journey of success, we will continue discussions with potential strategic partners. Leveraging on our solid business foundation, competitive edge in technologies and operating efficiencies, Canvest is well positioned to expand our project portfolio, further consolidate our leading position in the industry, achieve sustainable growth and maximize our shareholders' value.

The Shenzhen-Hong Kong Stock Connect, a cross-border stock trading link between Shenzhen and Hong Kong stock markets, was launched in late 2016, in which Canvest has been one of the eligible stocks. Going forward, Canvest will allocate more resources on strengthening its relationship with investors in the Mainland, continue to participate in investor meetings and conferences in order to maintain efficient communication with the investment community.

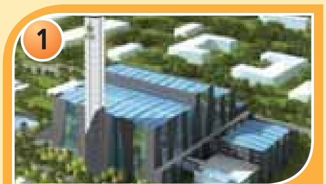
On behalf of the Board, I would like to express our deepest gratitude to our shareholders, business partners and stakeholders for their unwavering support, and also to all of our staff for their dedication and devotion.

**Lee Wing Yee Loretta**
*Chairlady*

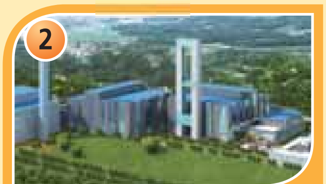
Hong Kong, 22 March 2017

# PROJECT OVERVIEW


## Guangdong



Eco-Tech WTE plant
(Phase 1)
(In operation)



Eco-Tech WTE plant
(Phase 2)
(Under construction)

Kewei WTE plant
(In operation)

China Scivest WTE plant
(Phase 1)
(In operation)

China Scivest WTE plant
(Phase 2)
(Under Construction)

Zhanjiang WTE plant
(In operation)

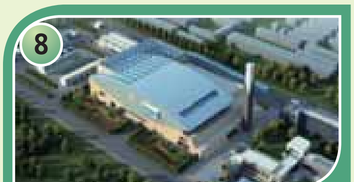
Qingyuan WTE plant
(Planning)

Zhongshan WTE plant (Under construction)
(Construction and operation by management agreement)

Lufeng WTE plant
(Planning)

Xinyi WTE plant
(Planning)

## Guangxi



Laibin WTE plant
(Phase 1)
(Undergoing technological upgrade)
(Phase 2) (Planning)

Beiliu WTE plant
(Phase 1) (Under construction)
(Phase 2) (Planning)

## Guizhou

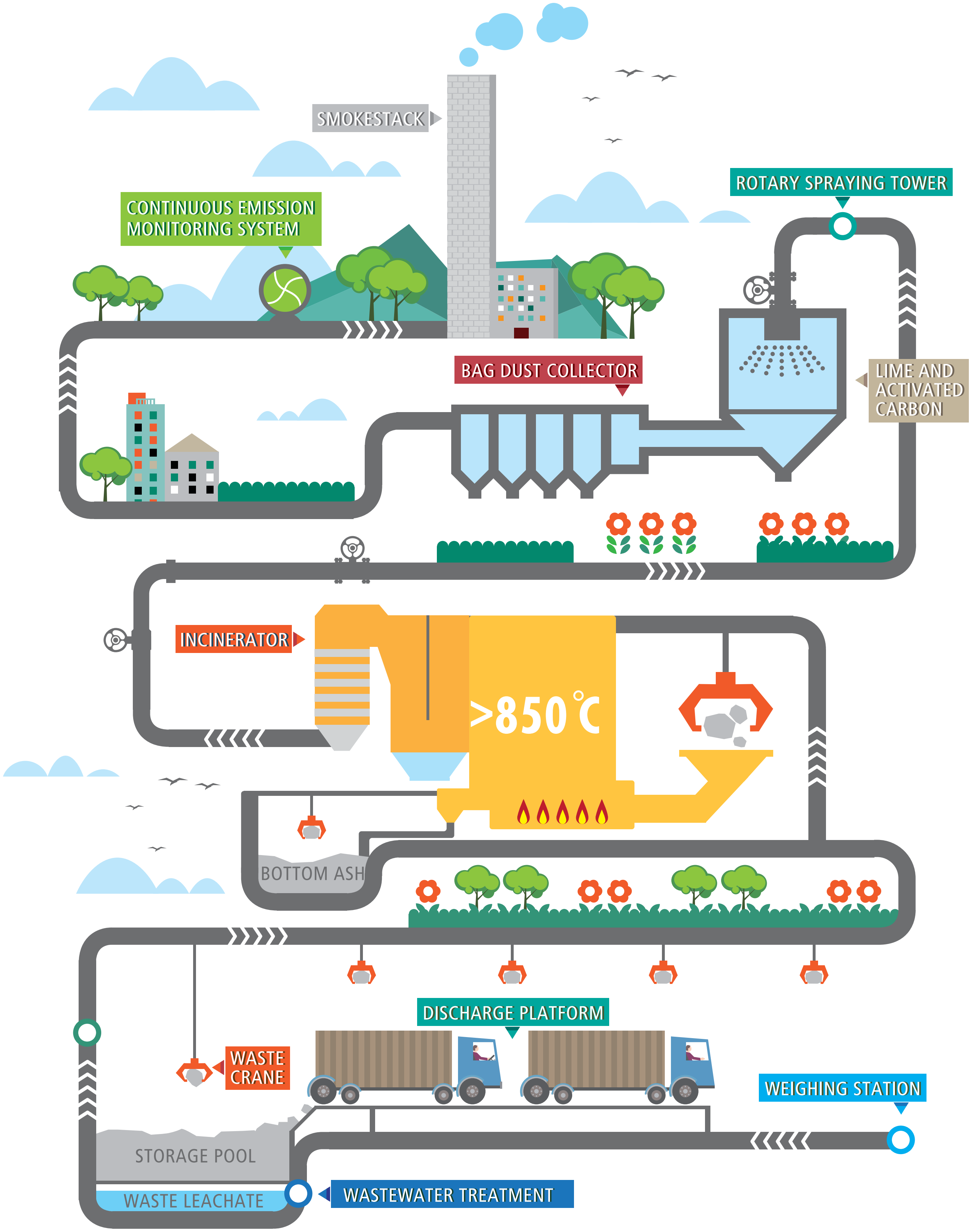
Xingyi WTE plant
(Phase 1) (In operation)
(Phase 2) (Under construction)

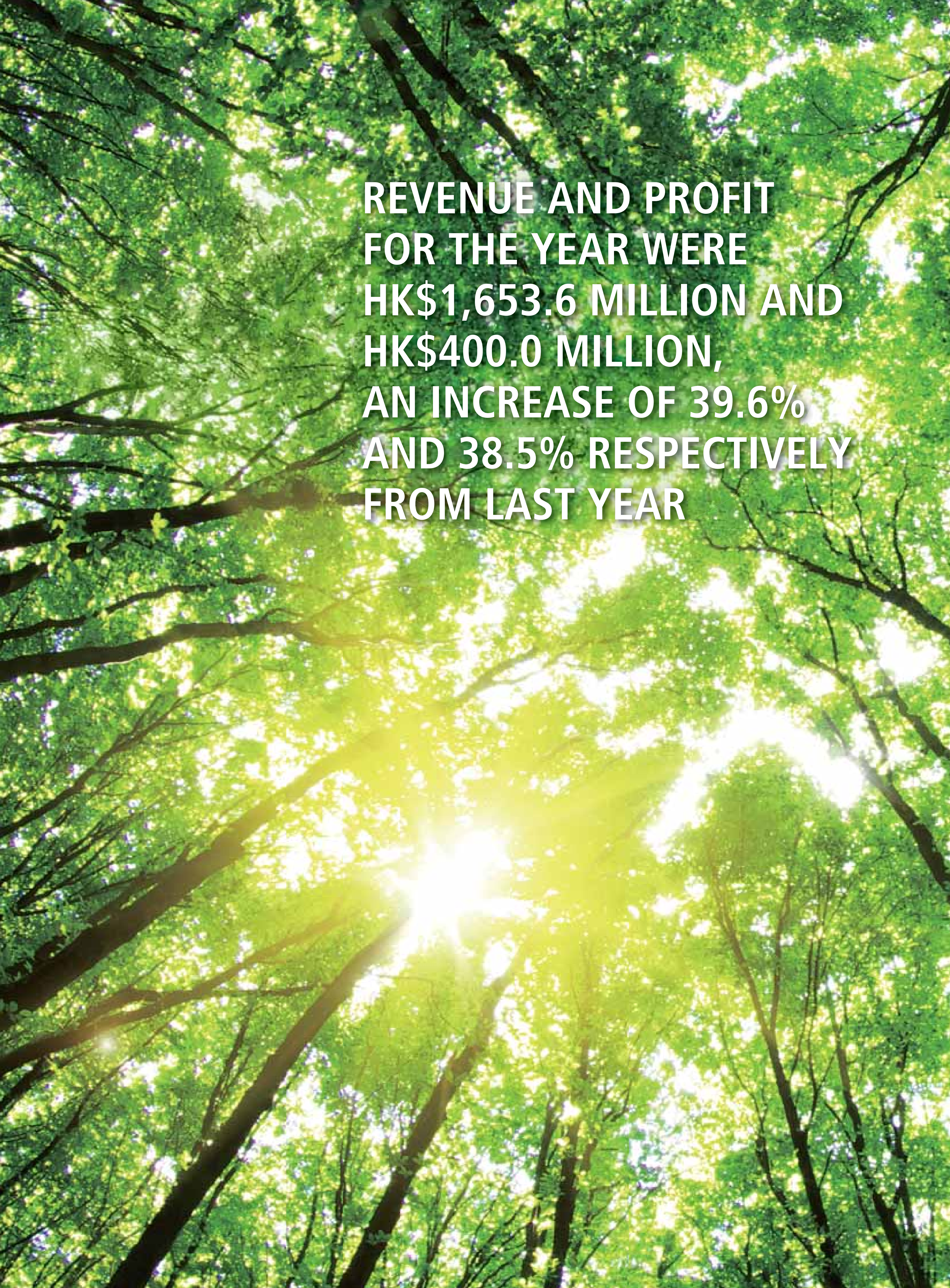
# Total Operating, Secured, Announced and Under Management Agreement Daily MSW Processing Capacity 19,090 Tonnes (as at 22 March 2017)

| | | Location | Daily MSW processing capacity | Installed power generation capacity | Combustion technology | Business model | Concession period | Waste treatment fee | Status |
|---|---|---|---|---|---|---|---|---|---|
| Guangdong | Eco-Tech WTE plant (Phase 1) | Dongguan, Guangdong Province | 1,800 tonnes | 36MW | Moving grate | BOO | N/A | RMB110 / tonne | In operation |
| Guangdong | Eco-Tech WTE plant (Phase 2) | Dongguan, Guangdong Province | 1,500 tonnes | 50MW | Moving grate | BOO | N/A | RMB110 / tonne | Under construction |
| Guangdong | Kewei WTE plant | Dongguan, Guangdong Province | 1,800 tonnes | 30MW | Moving grate | BOO | N/A | RMB110 / tonne | In operation |
| Guangdong | China Scivest WTE plant (Phase 1) | Dongguan, Guangdong Province | 1,800 tonnes | 42MW | Moving grate | BOT | 24 years (from 10 December 2004 to 30 November 2028) | RMB110 / tonne | In operation |
| Guangdong | China Scivest WTE plant (Phase 2) | Dongguan, Guangdong Province | 1,200 tonnes | Planning | Moving grate | BOT | Under negotiation | RMB110 / tonne | Under construction |
| Guangdong | Zhanjiang WTE plant | Zhanjiang, Guangdong Province | 1,500 tonnes | 30MW | Moving grate | BOT | 28 years (from 18 April 2013 to 17 April 2041) | RMB81.8 / tonne | In operation |
| Guangdong | Qingyuan WTE plant | Qingyuan, Guangdong Province | Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes | Planning | Moving grate | BOT | 30 years after passing the environmental impact assessment | RMB50 / tonne (Under negotiation) | Planning |
| Guangdong | Zhongshan WTE plant | Zhongshan, Guangdong Province | 1,040 tonnes | 24MW | Moving grate | Construction and Operation by Management Agreement | | | Under construction |
| Guangdong | Lufeng WTE plant | Lufeng, Guangdong Province | Phase 1: 1,200 tonnes Phase 2: 400 tonnes | Phase 1: 27MW Phase 2: 12MW | Moving grate | BOT | 30 years | RMB91.5 / tonne | Planning |
| Guangdong | Xinyi WTE plant | Xinyi, Guangdong Province | Phase 1: 500 tonnes Phase 2: 250 tonnes | Phase 1: 9MW Phase 2: 6MW | Moving grate | BOT | 30 years | RMB79 / tonne | Planning |
| Guangxi | Laibin WTE plant | Laibin, Guangxi Zhuang Autonomous Region | Phase 1: 1,000 tonnes Phase 2: 500 tonnes (500 tonnes before technological upgrade) | Phase 1: 24MW Phase 2: Planning | Moving grate (after technological upgrade) Fluidised bed (before technological upgrade) | BOT | Until April 2042 | RMB95 / tonne | Phase 1: Undergoing technological upgrade Phase 2: Planning |
| Guangxi | Beiliu WTE plant | Beiliu, Guangxi Zhuang Autonomous Region | Phase 1: 700 tonnes Phase 2: 350 tonnes | Planning | Moving grate | BOT | 30 years commencing from the date of formal commissioning | RMB83 / tonne (Calculated on weighted average basis) | Phase 1: Under construction Phase 2: Planning |
| Guizhou | Xingyi WTE plant | Xingyi, Guizhou Province | Phase 1: 700 tonnes Phase 2: 350 tonnes (note 1) | Phase 1: 12MW Phase 2: 6MW (note 1) | Moving grate | BOT | 30 years commencing from the date of formal commissioning | RMB80 / tonne | Phase 1: In operation Phase 2: Under construction |

Note 1: On 29 March 2017, the Group received an approval from Guizhou Development and Reform Commission that the daily MSW processing capacity of Phase 2 of Xingyi WTE plant can be increased to 500 tonnes and the installed power generation capacity can be increased to 12MW.

# WTE PROCESS


SMOKESTACK
CONTINUOUS EMISSION MONITORING SYSTEM
ROTARY SPRAYING TOWER
BAG DUST COLLECTOR
LIME AND ACTIVATED CARBON
INCINERATOR
>850℃
BOTTOM ASH
DISCHARGE PLATFORM
WASTE CRANE
WEIGHING STATION
STORAGE POOL
WASTE LEACHATE
WASTEWATER TREATMENT



REVENUE AND PROFIT FOR THE YEAR WERE HK$1,653.6 MILLION AND HK$400.0 MILLION, AN INCREASE OF 39.6% AND 38.5% RESPECTIVELY FROM LAST YEAR

# MANAGEMENT DISCUSSION AND ANALYSIS

China continued to achieve steady development during the year. Growing concern of the environmental protection remains one of the key subjects in China.

With the promulgation of the 13th Five-Year Plans for the municipal solid waste treatment by National Development and Reform Commission, China planned to strengthen its MSW collection and transportation capability to cover counties and towns, increase the penetration rate for MSW incineration capacity in 2020 and implement stringent emission standards. All of the above measures will benefit to the WTE industry in the long run.

## Overall Performance

For the year ended 31 December 2016, the Group's revenue was HK$1,653.6 million (2015: HK$1,184.5 million), representing an increase of 39.6% over 2015. The operating profit and profit for the year were HK$547.4 million (2015: HK$381.2 million) and HK$400.0 million (2015: HK$288.9 million), representing an increase of 43.6% and 38.5%, respectively. Profit attributable to equity holders of the Company was HK$400.0 million (2015: HK$272.0 million), representing an increase of 47.1% over the last year. Basic earnings per share was HK19.8 cents (2015: HK13.6 cents).

During the year, the Group implemented innocuous treatment of waste volume amounted to approximately 2,369,146 tonnes. The Group generated 962,916,000 kWh from green energy, saving 338,456 tonnes of standard coal and reducing emission of carbon dioxide by 843,771 tonnes.

## Processing Capacity Expansion

### Operating Processing Capacity

In 2016, the operating daily MSW processing capacity of the Group increased from 5,400 tonnes to 7,600 tonnes, representing an increase of 41%.

### Total Processing Capacity

As at the end of 2016, the operating, secured, announced and under management agreement daily MSW processing capacity of our 12 projects reached 18,340 tonnes. With the conditional award of a WTE project in Xinyi City, Guangdong Province, the total processing capacity of the Group will further increase to 19,090 tonnes (including management contract project).

## Projects

### Overall

In 2016, the Group added 5 projects and the total number of operating, secured, announced and management contract projects increased to 12. The total daily MSW processing capacity increased 5,940 tonnes to 18,340 tonnes. During 2016, the geographical coverage of the Group reached Guangdong Province, Guangxi Zhuang Autonomous Region and Guizhou Province.

Eco-Tech WTE plant, Kewei WTE plant and China Scivest WTE plant continued to contribute to the Group in a significant way in 2016. After the commencement of operation, Zhanjiang WTE plant started to contribute operating profits to the Group.

### Guangdong Province

In January 2015, the Group was informed by Dongguan Municipal Administration that Eco-Tech WTE plant could expand the installed daily MSW processing capacity by an additional 1,500 tonnes. The expansion is under construction and expects to commence trial operation in the first half of 2017.

Expansion of China Scivest WTE plant was under construction and expects to commence trial operation in the second half of 2017.

The Group holds a concession right to construct a WTE plant in Qingyuan City, Guangdong Province. Qingyuan WTE plant is still under planning.

Zhanjiang WTE plant commenced trial operation in April 2016 and started to contribute operating profits to the Group.

In August 2016, the Group entered into a management agreement with counterparties, pursuant to which, the counterparties entrusted the Group for the management of the construction and operation of Zhongshan Guangye WTE plant. The project is still under construction. Please refer to the announcement of the Company dated 22 August 2016 for further details.

In September 2016, the Group was awarded the tender in relation to Lufeng WTE plant. A contract was entered into with the Bureau of Housing and Urban – Rural Planning and Development of Lufeng City in this regard. The Group is conducting feasibility studies for this project. Please refer to the announcement of the Company dated 3 October 2016 for further details.

In March 2017, the Group was awarded the BOT concession right in relation to a WTE plant located in Xinyi City, Guangdong Province. A framework agreement was entered in this regard. Please refer to the announcement of the Company dated 6 March 2017 for further details.

### Guangxi Zhuang Autonomous Region

Laibin WTE plant commenced technological upgrade in March 2016 and is expected to commence trial operation in the second half of 2017. Beiliu WTE plant was under construction.

### Guizhou Province

In January 2016, Kewei acquired 100% equity interest in Xingyi at a consideration of RMB110,000,000 (approximately HK$130,900,000). Xingyi currently operates a WTE plant in Xingyi City, Guizhou Province. The transaction has been effectively completed in August 2016. On 29 March 2017, the Group received an approval from Guizhou Development and Reform Commission that the daily MSW processing capacity of Phase 2 of Xingyi WTE plant can be increased to 500 tonnes and the related construction works has been commenced.

The following table sets forth the operational details of each WTE plant:

| Location | Project(s) | Year ended 31 December 2016 | 2015 |
|---|---|---|---|
| Guangdong Province | **Eco-Tech WTE plant** *(Note 2)* | | |
| | ***Waste treatment*** | | |
| | Received MSW *(tonnes)* | **700,530** | 201,152 |
| | Processed MSW *(tonnes)* | **692,449** | 191,706 |
| | ***Power generation*** | | |
| | Power generated *(MWh)* | **299,275** | 89,000 |
| | Power sold *(MWh)* | **264,672** | 78,500 |
| | Sales to generation ratio *(Note 1)* | **88.4%** | 88.2% |
| | **Kewei WTE plant** | | |
| | ***Waste treatment*** | | |
| | Received MSW *(tonnes)* | **580,020** | 576,207 |
| | Processed MSW *(tonnes)* | **575,539** | 577,611 |
| | ***Power generation*** | | |
| | Power generated *(MWh)* | **252,761** | 249,476 |
| | Power sold *(MWh)* | **225,606** | 221,272 |
| | Sales to generation ratio *(Note 1)* | **89.3%** | 88.7% |
| | **China Scivest WTE plant** | | |
| | ***Waste treatment*** | | |
| | Received MSW *(tonnes)* | **693,884** | 711,935 |
| | Processed MSW *(tonnes)* | **684,986** | 683,011 |
| | ***Power generation*** | | |
| | Power generated *(MWh)* | **279,639** | 297,322 |
| | Power sold *(MWh)* | **243,794** | 261,140 |
| | Sales to generation ratio *(Note 1)* | **87.2%** | 87.8% |
| | **Zhanjiang WTE plant** *(Note 3)* | | |
| | ***Waste treatment*** | | |
| | Received MSW *(tonnes)* | **325,481** | N/A |
| | Processed MSW *(tonnes)* | **316,474** | N/A |
| | **Power generation** | | |
| | Power generated *(MWh)* | **98,736** | N/A |
| | Power sold *(MWh)* | **83,358** | N/A |
| | Sales to generation ratio *(Note 1)* | **84.4%** | N/A |
| Guangxi Zhuang Autonomous Region | **Laibin WTE plant** *(Note 4)* | | |
| | ***Waste treatment*** | | |
| | Received MSW *(tonnes)* | **176,934** | 54,873 |
| | Processed MSW *(tonnes)* | **23,398** | 52,230 |
| | ***Power generation*** | | |
| | Power generated *(MWh)* | **9,662** | 21,399 |
| | Power sold *(MWh)* | **7,067** | 15,568 |
| | Sales to generation ratio *(Note 1)* | **73.1%** | 72.8% |

| Location | Project(s) | Year ended 31 December 2016 | 2015 |
|---|---|---|---|
| Guizhou Province | **Xingyi WTE plant** *(Note 5)* | | |
| | ***Waste treatment*** | | |
| | Received MSW (tonnes) | **86,673** | N/A |
| | Processed MSW (tonnes) | **76,300** | N/A |
| | ***Power generation*** | | |
| | Power generated *(MWh)* | **22,843** | N/A |
| | Power sold *(MWh)* | **18,326** | N/A |
| | Sales to generation ratio *(Note 1)* | **80.2%** | N/A |
| Total | ***Waste treatment*** | | |
| | Received MSW *(tonnes)* | **2,563,522** | 1,544,167 |
| | Processed MSW *(tonnes)* | **2,369,146** | 1,504,558 |
| | ***Power generation*** | | |
| | Power generated *(MWh)* | **962,916** | 657,197 |
| | Power sold *(MWh)* | **842,823** | 576,480 |
| | Sales to generation ratio *(Note 1)* | **87.5%** | 87.7% |

*Note 1:* 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.

*Note 2:* The operation of Eco-Tech WTE plant has been suspended for its technological upgrade since April 2014 and resumed trial operation in August 2015.

*Note 3:* Zhanjiang WTE plant commenced trial operation in April 2016.

*Note 4:* Laibin WTE plant was acquired and its results was accounted for as part of the Group's results since 14 August 2015. The operation of Laibin WTE plant has been suspended for technological upgrade since March 2016.

*Note 5:* Acquisition of Xingyi WTE plant has been effectively completed in August 2016 and its results was accounted for as part of the Group's results since 31 August 2016.

## Revenue

During the year, the Group's revenue reached HK$1,653.6 million, representing an increase of 39.6% when compared with HK$1,184.5 million in 2015. It was mainly attributable to the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, which include the commencement of operation of Eco-Tech WTE plant after the completion of technological upgrade in August 2015, and the increase in construction revenue arising from various BOT projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2016 and 2015:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | HK$'000 | % | HK$'000 | % |
| Revenue from power sales | **519,386** | **31.4%** | 376,211 | 31.8% |
| Revenue from waste treatment fees | **256,204** | **15.5%** | 204,917 | 17.3% |
| Construction revenue arising from BOT arrangement | **843,760** | **51.0%** | 583,328 | 49.2% |
| Finance income arising from BOT arrangement | **34,202** | **2.1%** | 20,080 | 1.7% |
| Total | **1,653,552** | **100.0%** | 1,184,536 | 100.0% |

The following table sets forth the breakdown of revenue by region for the years ended 31 December 2016 and 2015:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | HK$'000 | % | HK$'000 | % |
| Guangdong Province | **1,135,065** | **68.6%** | 1,171,617 | 98.9% |
| Guangxi Zhuang Autonomous Region | **417,304** | **25.2%** | 12,919 | 1.1% |
| Guizhou Province | **101,183** | **6.2%** | – | – |
| Total | **1,653,552** | **100.0%** | 1,184,536 | 100.0% |

## Cost of Sales

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

During the year, cost of sales increased by 42.8% from HK$745.2 million in 2015 to HK$1,064.3 million in 2016. The increase was mainly attributable to construction cost, depreciation and amortisation and increase in operating cost as a result of more operating plants. In particular, construction cost increased from HK$486.1 million in 2015 to HK$703.1 million in 2016, and representing 66.1% of the total cost of sales in 2016.

## Gross Profit and Gross Profit Margin

In 2016, gross profit of the Group amounted to HK$589.3 million, representing an increase of 34.1% as compared to HK$439.3 million in 2015. The increase in gross profit was mainly attributable to gross profit from various BOT projects, and contribution from the operation of the increasing operating capacity, which include the commencement of operation of Eco-Tech WTE plant after the completion of technological upgrade in August 2015.

The following table sets forth the gross profit by nature for the years ended 31 December 2016 and 2015:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2016** | | 2015 | |
| | **HK$'000** | **%** | HK$'000 | % |
| Power sales and waste treatment operations | **414,458** | **70.3%** | 322,022 | 73.3% |
| Construction service arising from BOT arrangement | **140,629** | **23.9%** | 97,222 | 22.1% |
| Finance income arising from BOT arrangement | **34,202** | **5.8%** | 20,080 | 4.6% |
| Total | **589,289** | **100.0%** | 439,324 | 100.0% |

Gross profit margin of the Group decreased from 37.1% in 2015 to 35.6% in 2016. The decrease was mainly due to lower gross profit margin of the operating plants as a result of increasing operating cost as well as the lower gross profit margin of construction revenue from BOT projects than that of revenue from power sales and waste treatment operations.

The following table sets forth the gross profit margin by nature generated for each of the WTE plants for the year ended 31 December 2016 and 2015:

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **Gross profit margin** | Gross profit margin |
| Power sales and waste treatment operations | **53.4%** | 55.4% |
| Construction service arising from BOT arrangement | **16.7%** | 16.7% |
| Finance income arising from BOT arrangement | **100.0%** | 100.0% |
| Gross profit margin of the Group | **35.6%** | 37.1% |

## General and Administrative Expenses

General and administrative expenses mainly comprised employee and related benefit expenses for administrative personnel, promotion, entertainment and travelling expenses, depreciation and amortisation, rental expenses for offices, security expenses, office expenses and others.

During the year, general and administrative expenses increased by 10.1% from HK$111.6 million in 2015 to HK$122.9 million in 2016. The increase in the expenses was mainly due to additional plants under operation.

## Other Income

Other income mainly consisted of VAT refund, management income, government grants and others. During the year, other income increased by 68.0% from HK$49.2 million in 2015 to HK$82.6 million in 2016. The increase in other income was mainly due to the management income received from the management of a project.

## Other Loss/Gain, Net

Other net loss/gain mainly represented net exchange loss/gain. During the year, other net loss recorded HK$1.6 million as compared to other net gain amounted to HK$4.3 million in 2015. It was mainly attributable to the impact from the depreciation of Renminbi.

## Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks and IFC, net of interest income from bank deposits. During the year, the net interest expenses increased by 64.4% from HK$51.4 million in 2015 to HK$84.5 million in 2016. The increase in net interest expenses was mainly due to the increase in bank borrowings related to projects under construction and the convertible loan from IFC as well as finance costs related to Eco-Tech WTE plant and Zhanjiang WTE plant were no longer eligible for capitalisation after the construction works completed and the plants were ready for use.

## Income Tax Expense

During the year, income tax expense increased from HK$40.9 million in 2015 to HK$62.9 million in 2016. It was mainly attributable to tax incurred by China Scivest WTE plant as a result of transiting from full tax exemption in 2015 to half tax exemption in 2016 and deferred income tax arising from construction profit.

## Profit Attributable to Equity Holders of The Company

During the year, profit attributable to equity holders of the Company increased by 47.1%, from HK$272.0 million in 2015 to HK$400.0 million in 2016.

## Liquidity, Financial and Capital Resources

### Financial resources

During the year, the Group generated HK$460.9 million cash from operating projects (2015: HK$311.5 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$514.6 million (2015: HK$343.0 million), as a result, total net cash used in operating activities amounted to HK$53.7 million during the year (2015: HK$31.5 million).

The Group generated cash flow through operating activities and loan facilities from banks and IFC. As at 31 December 2016, total cash and cash equivalents of the Group were HK$619.0 million (31 December 2015: HK$449.1 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.

## Use of The Net Proceeds from The Initial Public Offering

The Company raised a total of HK$1,165.0 million in gross proceeds after the completion of the initial public offering in December 2014, and net proceeds amounted to HK$1,068.5 million after deducting various professional expenses incurred in connection with the initial public offering. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 15 December 2014 (the "Prospectus"), and the respective use of the net proceeds as at 31 December 2016 was as follows:

| | Available<br>HK$'000 | Used<br>HK$'000 | Unused<br>HK$'000 |
|---|---|---|---|
| Expand WTE business by developing greenfield projects or acquiring existing WTE plants | 812,095 | 812,095 | – |
| Development of phase two of Zhanjiang WTE Plant | 149,596 | 70,313 | 79,283 |
| Working capital and other general corporate purposes | 106,855 | 106,855 | – |
| Total | 1,068,546 | 989,263 | 79,283 |

## Placing of Shares to Wise Power

In order to provide an opportunity to raise additional funds to further strengthen the financial position and capital base of the Group to facilitate its future growth and development, on 17 May 2016, the Company and Wise Power entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and Wise Power conditionally agreed to subscribe 34,235,294 ordinary shares at the subscription price of HK$3.4 per share. The closing price of the Shares was HK$3.53 on 17 May 2016, the date of the subscription agreement.

The subscription has been completed on 24 May 2016 and net proceeds of approximately HK$111.4 million after deducting related expenses, has been received by the Group. The net price per Subscription Share will be approximately HK$3.3. The net proceeds was utilized for the construction of plant and purchase of equipment.

For further information, please refer to the announcements of the Company dated 17 May 2016 and 24 May 2016.

## Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2016, the Group's bank borrowings was HK$1,911.4 million (31 December 2015: HK$1,419.9 million). Such bank borrowings were secured by rights to collect revenue from power sales and waste handling services, bank deposits, land use rights, property, plant and equipment, concession rights and corporate guarantees. The bank borrowings were denominated in Renminbi and over 96% of them were at floating interest rates.

In January 2016, the Company entered into a convertible loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465.0 million. The convertible loan has been drawn down. The carrying amount of the debt component as at 31 December 2016 was HK$407.9 million. The convertible loan was denominated in Hong Kong dollar and bears interest at a rate of 2% per annum. The closing price of the Shares was HK$3.92 on 20 January 2016, the date of the convertible loan agreement.

Net asset of the Group was HK$2,723.0 million (31 December 2015: HK$2,334.4 million). Increase in net assets was mainly attributable to the profit generated during the year and the equity fund raising activity in May 2016, partially offset by the effect of depreciation of Renminbi during the year.

The following table sets forth the analysis of the borrowings as at 31 December 2016 and 2015:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Portion of term loans due to repayment after one year – secured | **1,634,549** | 1,098,852 |
| Portion of term loans due for repayment within one year – secured | **276,837** | 321,043 |
| Total bank borrowings | **1,911,386** | 1,419,895 |
| Convertible loan – debt component – unsecured | **407,935** | – |
| Total borrowings | **2,319,321** | 1,419,895 |

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2016, the gearing ratio was 55.1% (31 December 2015: 47.8%).

As of 31 December 2016, the Group had banking facilities (including the convertible loan agreement entered into with IFC) in the amount of HK$3,616.9 million, of which HK$1,240.5 million remained unutilised. The banking facilities were denominated in Renminbi, Hong Kong dollars and United States dollars and most of them were at floating interest rates.

## Cost of Borrowings

For the year ended 31 December 2016, the total cost of borrowings of the Group was HK$88.9 million (2015: HK$63.3 million), representing an increase of HK$25.6 million. The increase was mainly attributable to the increase in bank borrowings related to projects under construction and the convertible loan from IFC as well as finance costs related to Eco-Tech WTE plant and Zhanjiang WTE plant were no longer eligible for capitalisation after the construction works completed and the plants were ready for use. Effective interest rate ranged from 2.23% to 10.69% in 2016, while it was from 5.15% to 6.90% in 2015.

For the year ended 31 December 2016, the imputed interest expenses and interests paid in relation to the convertible loan amounted to HK$28.2 million and HK$6.0 million respectively.

## Foreign Exchange Risk

Major operating subsidiaries of the Group were operating 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 United States dollars while bank loans were denominated in Renminbi. Save as disclosed above, the Group did not have any material exposures to foreign exchange risk. The Group does not have any financial instruments for the purpose of hedging. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings and deposits.

## Commitments

As at 31 December 2016, the Group had capital commitments authorised but not contracted for amounted to HK$687.3 million (31 December 2015: HK$1,225.9 million) and capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$1,153.9 million (31 December 2015: HK$348.2 million).

As at 31 December 2016, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK$9.6 million (31 December 2015: HK$14.2 million).

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

In January 2016, Kewei entered into an agreement in connection with the acquisition of 100% equity interest in Xingyi at a consideration of RMB110,000,000 (approximately HK$130,900,000). Xingyi currently operates a WTE plant in Xingyi City, Guizhou Province. The transaction has been effectively completed in August 2016. Please refer to the announcement of the Company dated 26 January 2016 for further details.

## Capital Expenditures

For the year ended 31 December 2016, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements, amounted to HK$1,083.4 million (2015: HK$1,019.8 million). It was mainly funded by borrowings, fund generated from operating activities and capital contributions from shareholders.

## Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016.

## Pledge of Assets

As at 31 December 2016, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, land use rights, property, plant and machinery, concession rights and bank deposits with an aggregate carrying amount of HK$2,097.8 million (31 December 2015: HK$1,575.6 million) to certain banks to secure certain credit facilities granted to the Group.

## Human Resources

As at 31 December 2016, the Group employed a total of 693 employees, 19 of them were at management level. By geographical locations, it had 673 employees in the PRC and 20 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 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 as set out in Appendix VI to the Prospectus. Under the share option scheme and at the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2016 were HK$113.7 million (2015: HK$90.8 million (including fair value of share options granted of HK$5.8 million)).

## Events After the Balance Sheet Date

In January 2017, the Group entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST and Utrust International. Pursuant to the agreement, (I) Utrust Partners shall assist the Company in business expansion and sourcing of new projects, and fully support the Company in obtaining WTE projects in Guangdong Province, with the form of collaboration not limited to signing strategic cooperation agreements or memorandums of cooperation with local government authorities within Guangdong Province and other relevant parties; (II) Utrust Partners shall give full support to the Group's business development, including the coordination of relevant policy funds (including but not limited to relevant funds for public-private partnerships projects and Guangdong silk road fund, etc.) under the entrusted management of Utrust Holdings and its companies and the provision of funding support to the projects of the Group to the extent that the project is consistent with the investment direction of such funds; and (III) the Company intends to establish an industrial fund for clean environmental projects jointly with Utrust Partners to give full support for the technological upgrade projects and business development of the Group. Please refer to the announcement of the Company dated 4 January 2017 for further details.

In February 2017, the Company and True Victor entered into the subscription agreement, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe, 300,000,000 shares at the subscription price of HK$3.5 per share. The transaction has completed as at 28 March 2017. Please refer to the announcement of the Company dated 17 February 2017 and 28 March 2017 for further details.

In March 2017, the Group was conditionally awarded the BOT concession right in relation to a WTE plant located in Xinyi City, Guangdong Province by Bureau of Housing, Urban and Rural Planning and Construction of Xinyi Municipality. A framework agreement was entered in this regard. Please refer to the announcement of the Company dated 6 March 2017 for further details.

On 3 April 2017, the Company has received a conversion notice from IFC to exercise the conversion rights attaching to outstanding convertible loan in the aggregate principal amount of HK$465,012,000. Accordingly, the Company has allotted and issued an aggregate of 121,096,875 Shares to IFC at the conversion price of HK$3.84 per Share as at 12 April 2017. There are no outstanding convertible loan immediately after the conversion. Total number of issued Shares of the Company immediately after the completion of conversion is 2,455,332,169 Shares.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects and indicators that reflect the relevant environmental and social impacts from our businesses and operations in relation to workplace quality, environmental protection, operating practices and community involvement are presented in the report.

The Report covers the sustainability performance of all our operating WTE plants. Employees of contractors and subcontractors are not included as part of our workforce. The reporting period is from 1 January 2016 to 31 December 2016 and the report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 27 to the Listing Rules. For detailed information on our financial performance and corporate governance, please refer to our website www.canvestenvironment.com and our Annual Reports.

We sincerely welcome your feedback on this Report and our sustainability performance. Please send your comments or suggestions to us via info@canvest.com.hk.

## 1. Our Sustainable Operations

As a responsible corporate citizen, we persevere in enhancing our operation process and quality control with an aim to improve the efficiency in resource utilization and environmental performance of our projects.

### Supply Chain Management

During the reporting period, the Group has 254 suppliers with a total supply value of approximately RMB66 million. 78% of our suppliers are located in Guangdong Province, 11% from Jiangsu Province and the remaining 11% of suppliers are scattered over 10 other provinces in China.

The Group has established standardized procedures to ensure management of suppliers and contractors is fair and transparent. The main services provided by our suppliers comprise provision of equipment and raw materials, project design and construction, environmental monitoring, equipment maintenance, cleaning and security. Quality control procedures are implemented for third-party contractors and suppliers, for instance, major contracts with third parties are executed after stringent tender processes; contractors and suppliers are contractually required to adhere to our quality control measures and standards; and our on-site management team has the responsibility to monitor the work carried out by the contractors and their subcontractors.

Product identification and quality checks are required before we use any purchased materials, to ensure that all nonconformities and potential impacts are identified. For general nonconforming materials, the professional team will further analyze causes for nonconformance, and discuss the suitability of accepting such materials and any subsequent treatment needed.

### Energy Production Control

During the energy production process, we strictly monitor whether the power supply, ignition loss rate of incineration residue and system maintenance have met respective requirements, as well as inspecting the occurrence of incidents, including personal injury and accidents due to equipment, fire or environmental factors. Regarding the nonconformities in energy production, the production technology team conducts evaluations on the frequency of occurrence, the likelihood of recurrence and the severity of the nonconformance, in order to determine the precautionary and corrective actions to be taken.

Furthermore, the Group implements strict procedures for document management to ensure the accuracy of information and the privacy of our stakeholders. The procedures for the preparation, usage and disposal of documents are recorded in detail for follow-up. Units hire their own personnel to manage their own files and follow operational guidance documents to prevent unauthorized disclosure of official documents.

### Internal Audit

We conduct internal audits for all our quality control systems at least once a year, to review the effectiveness of each department's policies, objectives and regulations. The audit evaluates the standard and system requirements to determine whether the audit project is qualified, and comprehensive data is collected to calculate the non-compliance ratio. Through regular audits, we can identify gaps within our operations and identify problems at an early stage, in order to implement corrective measures more effectively. This can also play a role in preventing corruption.

## 2. Our Environment

As a leading WTE service provider in Guangdong Province, the Group is fully committed to environmental protection and has implemented various measures to ensure that our operations comply with the National Standards of the PRC. We have established well-structured systems and quality control procedures in our project companies to safeguard our environment during project planning, preparation, design and implementation stage. In the reporting period, some of our operating WTE projects are certified with the ISO 9001, ISO 14001, and OHSAS 18001 Management System certifications. Our China Scivest WTE Plant obtained the "Blue Card" (good environmental protection enterprise) from the Dongguan City-level Environmental Credit Evaluation. These certifications and achievements are a recognition to our environmental performance.

The key environmental figures of our operations in 2016 are presented as follows:

- Water consumption: 4,360,902 tonnes
- Discharged water: 187,139 tonnes
- Green electricity generated: 962,916,000 kWh
- Electricity consumption: 114,755,000 kWh
- Hazardous waste generated: 38,658 tonnes
- Non-hazardous waste generated: 450,977 tonnes
- Total MSW treated: 2,369,146 tonnes

### Air Emissions

Flue gas is generated during incineration and contains a variety of air pollutants. The major greenhouse gas emissions of our operating WTE plants include particulate matter, sulphur dioxide (SO2) and nitrogen oxide (NOx). The Group has been putting immense emphasis in reducing air pollutant emissions, and ensuring our operations comply with the Environmental Impact Assessment, PRC National Standards such as the "Standard for Pollution Control on the Municipal Solid Waste Incineration" (GB18485-2014), "Integrated Emission Standard of Air Pollutants" (GB16297-1996), and "Water Quality Standard for Industrial Uses" (GBT19923-2005) and other relevant regulations.

Our WTE plants have implemented the selective non-catalytic reduction (SNCR) system to treat the flue gas, converting nitrogen oxides into harmless atmospheric gases. The Group also employs techniques such as semi dry desulfurization system, rotary atomisers and granular activated carbon bag filters to remove harmful pollutants such as dioxins, smog, dust, sulphur dioxide, hydrochloric acid, hydrofluoric acid and heavy metals. All our sampling records demonstrated that the pollutants level in the flue gas complied with "Standard for Pollution Control on Municipal Solid Waste Incineration" (GB18485-2014) and our NOx emission even complies with the European Standards (Directive 2010/75/EU on Industrial Emissions and its relevant Annexes/ Amendments).

In 2016, the total emission of particulate matter, sulphur dioxide and nitrogen oxides are 32 tonnes, 221 tonnes and 1,188 tonnes respectively.

### Waste Management

The major wastes generated from WTE operations are fly ash, bottom ash, and sludge from wastewater treatment processes. As a responsible WTE service provider, we handle our waste carefully and strive to minimize our environmental impacts. Therefore, we monitor our waste generation and disposal closely.

#### *I. Fly Ash Treatment Measures*

Due to high concentration of heavy metals, fly ash is classified as hazardous waste. The Group has engaged reliable contractors in fly ash collection, transportation and treatment. The fly ash is stabilised and solidified during the treatment process, and disposed in a local hazardous waste landfill. Sealed containers and customized vehicles are used during collection and transportation of fly ash. Relevant procedures as well as data information are properly documented as required by the National Environmental Protection Agency.

#### *II. Solid Waste Treatment Measures*

Bottom ash produced after MSW incineration is classified as normal industrial solid waste and is collected by a contractor for further treatment. To lower the output of fly ash and solid waste, the Group will maximize efficiency by providing an optimal environment for our operating plants to achieve complete combustion. Scrap metal mixed with bottom ash is separated and collected for recycling.

#### *III. Sludge Treatment Measures*

Our leachate treatment station processes the leachate produced from MSW, resulting in sludge formation during the process. The sludge generated in the wastewater treatment process is dewatered by a sludge dewatering facility. Concentrated wastewater and the sludge cake produced after treatment may be further incinerated onsite.

### Wastewater Treatment

Leachate generated from MSW is piped to a leachate treatment station and then treated through an up-flow anaerobic sludge bed and a membrane bio-reactor using Nano-filtration techniques. Reverse osmosis and hydrolytic acidification are be applied to provide further treatment to the wastewater when necessary. The treated wastewater are reused as circulatory cooling water within the plant or discharged off site. For year 2016, the total amount of leachate treated was 187,139 tonnes.

### Noise Control

Each of our WTE plants has a list of ambient noise control measures, including:

- Designing and constructing the main facilities to be as far away from office areas as possible in order to minimize noise impacts;
- Installing sound absorption devices in the staff centralised control room; and
- Installing low noise equipment and a muffler for boiler exhaust steam and primary and secondary air inlets.

### Use of Resources

The primary resources used during WTE process are coal, diesel, natural gas and water.

#### *I. Fuel*

In 2016, total coal, diesel and natural gas used by the Group amounted to 4,044 tonnes, 395 tonnes and 59 tonnes respectively. To reduce the usage of fuels, the Group schedules regular maintenance to increase the efficiency of the production process and also implements energy saving measures within our WTE plants to reduce internal energy consumption.

#### *II. Water*

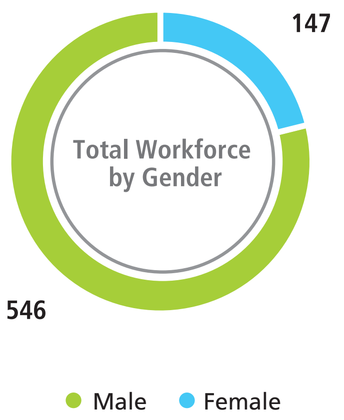
The primary use of water is for WTE plants' processing and employees' daily usage. The water is supplied by the government water supply network. To conserve water resources, the Group pipes the leachate to the treatment station for treatment and reuses the treated wastewater in our operations. In addition, we encourage all employees to practice water-saving measures to reduce water usage.

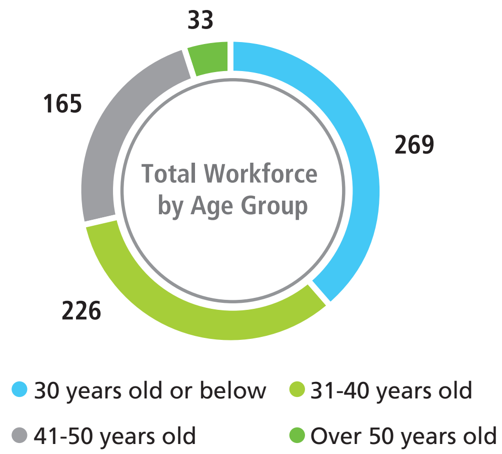
### The Environment and Natural Resources

The Group not only focuses on the business development, but is also committed to reducing the environmental footprint of our WTE plants. As such, we conduct assessments for land impacts, water impacts, worker safety and hygiene to ensure that our operations comply with relevant policies and planning requirements. An online air monitoring system is also implemented that is open for public scrutiny. We proactively cooperate with all levels of supervision and monitoring departments, including local environmental protection administrative departments and industry administrative departments.

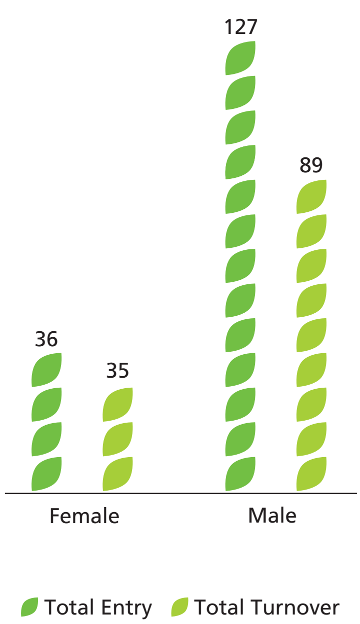
## 3. Our People

Employees are an important asset to the Group. The Group provides comprehensive benefits to staff as well as training and promotion opportunities to offer an ideal working environment. As of 31 December 2016, we employed a total of 693 staff, comprising a big proportion of technicians and production workers.

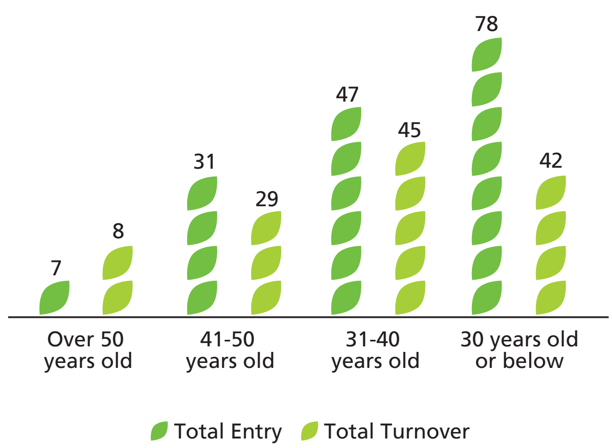



### Employee Turnover Statistics by Gender




### Employee Turnover Statistics by Age Group



### Development and Training

In order to maintain a competent workforce that has the ability to embrace new challenges, we believe employees' continued education is essential. We offer various training opportunities, including induction trainings, on-the-job trainings, coaching, lectures and outdoor training to enhance our employees' knowledge, skills and qualifications. Training programmes on fire safety and contingency measures are conducted annually and all staff are required to participate.

We strive to create an environment where our employees are empowered to grow professionally and to develop rewarding careers. In 2016, the average annual training hours per employee reached 48 hours.

### Equal Opportunities

As a responsible employer, we strictly adhere to labor legislation and comply with all relevant labor practices. Talents are recruited according to the operational requirements of the Group, irrespective of ethnic origin, gender, age, religion, political affiliation and nationality. We also promote social integration through policies and measures to facilitate the employment of persons with disabilities in the workplace.

The Group provides equal opportunities for employees in respect of company benefits, career path promotion, performance appraisal, training and development. Our employees are not discriminated or deprived of any opportunity due to age, gender, ethnicity or nationality. Furthermore, the employment of child and forced labor is strictly prohibited. The administration department monitors the recruitment process to avoid any employment of child and forced labor.

### Health and Safety

With a goal of zero accidents in the workplace, we explore every opportunity to avoid and eliminate health and safety risks. In 2016, there was no recorded fatality. The overall injury rate, as calculated by the total number of reported accidents divided by the total number of staff, remained at a low level of around 1.5%.

Pursuant to national and local health and safety laws and regulations in the PRC, we are required to provide a safe working environment to our employees. Apart from standardizing our operational practices, we equip our employees with adequate protective clothing, masks and gear, we provide work safety training, and we have designated specific safety management personnel, with the aim of minimizing potential accidents during daily operations. The Group also issues guidance materials to our employees from time to time regarding work safety practices.

The Group has also implemented various emergency response measures within our WTE plants, such as automatic machinery shutdown when a certain pressure point is reached. We have a system in place to record accidents, and we conduct regular inspection and maintenance checks on our facilities and equipment to ensure that they comply with the applicable national or industrial standards. Various signs are placed in our WTE plants to provide sufficient warning and information about the hazards and dangers that exist in our working environment to our employees. Guidelines for managing possible accidents and disasters which may occur in our WTE plants have been issued and implemented, including but not limited to fire hazards, personal injuries, earthquakes and power outages, in order to minimize the occurrence of accidents and improve the efficiency of our responsive actions when accidents and disasters do occur.

### Anti-Corruption

The Group strictly forbids activities in relation to bribery, extortion, fraud and money laundering, and the Audit Committee is responsible for conducting corruption risk assessments for all project companies. During 2016, no concluded legal cases regarding corrupt practices were brought against the Group.

A whistle-blowing policy has also been adopted since the Listing Date. Staff can report to the Audit Committee or the Corporate Governance Committee of any suspected activities. Committees will conduct internal investigations, appoint external professions to conduct investigations or report the cases to regulatory authorities if necessary.

## 4. Our Community

As a responsible corporate citizen, the Group commits to contribute to the wellbeing of our community. The Group's WTE plant, China Scivest, invites the public to visit the plant on a monthly basis and we share experience in environmental protection issues to raise public awareness in the community. In 2016, over 3,500 people visited our WTE plants.

## 5. SEHK ESG Guide Content Index

The Canvest ESG Report 2016, which provides major updates on Canvest Environment Protection Group Company Limited's latest performance on sustainability, is prepared by following the Environmental, Social and Governance Reporting Guide. The following table provides an overview on the General Disclosures, and Key Performance Indicators (KPI) reported, which are either referred to the relevant report chapter(s) or supplemented with additional information.

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter(s) in ESG Report 2016 or other references/ Explanation |
|---|---|---|
| **Environmental** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Our Environment |
| KPI A1.1 | The types of emissions and respective emissions data. | Our Environment |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Our Environment |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Our Environment |

| | | |
|---|---|---|
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Our Environment |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | Our Environment |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Our Environment |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Our Environment |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility). | Our Environment |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Our Environment |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | Our Environment |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Our Environment |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Our service provided is electricity, hence no packaging material is used in our operation. |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Our Environment |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Our Environment |

| Social | | |
|---|---|---|
| **Employment and Labour Practices** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Our People |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | Our People |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Our People<br><br>The overall turnover rate in 2016 was 18.9%. |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | Our People |
| KPI B2.1 | Number and rate of work-related fatalities. | No fatalities are recorded during the reporting period. |
| KPI B2.2 | Lost days due to work injury. | Lost days due to work injury in 2016 was 294 days. |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Our People |

| | | |
|---|---|---|
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Our People |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Our People |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Our People |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | Our People |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Our People |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Our People |
| **Operating Practices** | | |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Our Sustainable Operations |
| KPI B5.1 | Number of suppliers by geographical region. | Our Sustainable Operations |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Our Sustainable Operations |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Our Sustainable Operations |

| | | |
|---|---|---|
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | N/A |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | N/A |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | N/A |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Our Sustainable Operations |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Our Sustainable Operations |
| **Aspect B7 Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Our People |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Our People |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Our People |

| | | |
|---|---|---|
| **Community** | | |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Our Community |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Our Community |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Our Community |

## Risks and uncertainties

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

Major identified risks and uncertainties are listed as follows:

| Risks | Nature |
|---|---|
| **Strategy** | |
| Business geographical concentration | If business is highly concentrated in one place where natural hazards or market recession happen, the assets and property of the Group may be subject to serious losses and damages, and its overall business and operating results may be materially and adversely affected. |
| Public perception | The negative public perception of the WTE projects may materially and adversely affect the business, financial position and operating results. |
| **Compliance** | |
| Operation compliance | If the Group fails to obtain necessary certificates, licenses, permits or governmental approval or fails to comply with various laws and regulations in respect of its business operation, the business, financial position and operating results of the Group may be adversely affected. If there is any change to the permits, approval, laws or regulations, the Company may be required to pay additional costs or to make additional investments. |
| Concession agreement | The operation projects are subject to stringent contractual obligations and any non-compliance with any provisions of agreements may cause the Group to be penalized or agreements to be terminated. |
| Compliance with the Listing Rules | If the Company fails to comply with the Listing Rules of the Main Board of Hong Kong Stock Exchange or other relevant laws, its reputation and daily operation would be affected. |

| | |
|---|---|
| **Operation** | |
| Technological evolvement | The Group depends on the existing model and may not adapt to or make adjustment as the technology evolves. The Group may not obtain approval to upgrade its technology for any technological evolvement. |
| Contractors | The Group depends on independent contractors to develop new projects. If contractors fail to duly complete their projects, it may materially and adversely affect our operating results. If the Group fails to manage its contractors in an appropriate manner, it may differ the scope of work of the external contractors from the scheduled targets and cause the final result to deviate from the strategy of the Group. |
| Operational efficiency | The assets of the Group are exposed to risk factors and its operation may be exposed to various interferences and risks, which may cause our operation performance falling below the anticipated standard of products or efficiency level and lead to an adverse effect on the Group. |
| Equipment maintenance and failure | The Group depends on heavy machinery and equipment for its daily operation. If parts of equipment are required for replacement, and when it is difficult to or failed to find suitable parts of equipment for replacement, or when malfunction equipment or failure procedure occurs, or when human errors and accidents appear, it may materially or adversely affect the operation of the Group. |
| **Finance** | |
| Financial budget | The Group is exposed to various risk factors and operational risks, which may lead to unexpected costs and over-expenditure (e.g. the fines imposed due to damages or losses suffered by third parties during the normal course of business). |

# CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2016, the Company has complied with the code provisions as set out in the CG Code.

## The Board

### Role of the Board

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

### Board composition

During the year ended 31 December 2016 and up to the date of this annual report, the Board comprises the following directors:

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

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

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

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 47 to 51 of this annual report.

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

### Chairlady, Deputy Chairman and Chief Executive Officer

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

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

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

### Independence of the Independent Non-executive Directors

During the year ended 31 December 2016 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. By 31 December 2016, no independent non-executive Director has served the Company for more than 9 years.

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

## Appointment and re-election

Each Director has entered into a service agreement with the Company for a maximum period of three years and subject to re-election.

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

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

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

## Training and support for Directors

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

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

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

A: reading materials in relation to the update of the rules and regulations, and director's duties and responsibilities
B: attending site visit arranged by the Company

## Board and board committee meetings

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

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

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

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

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

All the executive Directors and the independent non-executive Directors have allocated a reasonable amount of time to follow and deal with various affairs of the Company during the year.

During the year, the Board held a total of 7 meetings. Except Mr. Feng Jun and Mr. Chung Kwok Nam who were appointed on 31 March 2017, each Director's attendance record is set out as follow:

| | Number of attendance/meeting held in year 2016 | | | | | |
|---|---|---|---|---|---|---|
| Name of Directors | The Board | Audit Committee | Nomination Committee | Remuneration Committee | Corporate Governance Committee | General meeting |
| Lee Wing Yee Loretta | 7/7 | – | – | – | 1/1 | 1/1 |
| Lai Kin Man | 6/7 | – | – | – | – | 1/1 |
| Yuan Guozhen | 6/7 | – | – | – | – | 1/1 |
| Lai Chun Tung | 7/7 | – | – | – | – | 1/1 |
| Lui Ting Cheong Alexander | 5/7 | – | – | – | – | 1/1 |
| Lai Yui | 6/7 | – | – | – | – | 1/1 |
| Sha Zhenquan | 6/7 | 2/2 | 1/1 | 1/1 | 1/1 | 1/1 |
| Chan Kam Kwan Jason | 6/7 | 2/2 | 1/1 | 1/1 | 1/1 | 1/1 |
| Chung Wing Yin | 6/7 | 2/2 | 1/1 | 1/1 | 1/1 | 1/1 |

## Directors' securities transactions

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2016.

## The committees of the Board

The Board of the Company has established 4 committees namely the audit committee, the corporate governance committee, the nomination committee and the remuneration committee. The respective chairperson and majority of the members of each of the committees are independent non-executive Directors. Terms of reference of each of the committees are published on the corporate website (www.canvestenvironment.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk), and will be amended by the Board from time to time as and when appropriate.

## Audit committee

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

Main duties of the audit committee include (but without limitation): (i) assisting our Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group; (ii) overseeing the audit process; (iii) performing other duties and responsibilities as assigned by our Board; and (iv) considering and reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial function, and report to the Board. The audit committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expenses of the Company.

The audit committee has reviewed the Group's consolidated financial information for the year ended 31 December 2016.

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

– Reviewing annual results of 2015 and annual report of 2015, interim results of 2016 and interim report of 2016;

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

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

– Considering the re-appointment of external auditors of the Company; and

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

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

## External auditor

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2016 AGM. For the year ended 31 December 2016, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Fee for audit services | **2,700** | 2,700 |
| Fee for non-audit services | **375** | 893 |

## Responsibility in financial statements

Directors have acknowledged their responsibilities for preparing the accounts in this annual report, and PricewaterhouseCoopers, the external auditor of the Group, has also stated their reporting responsibility in the auditor's report of the financial statements.

The Board is not aware of any uncertainty or conditions of a material nature that would affect the Company's ability to continue as a going concern.

## Remuneration committee

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

Main duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) recommending the terms of the specific remuneration package of each executive Director and senior management to the Board; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme. No Director should be involved in deciding his/her own remuneration.

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

– Reviewing the remuneration adjustments of senior management in 2016;

– Confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2015; and

– Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2016.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2016 is set out below:

| Remuneration | Number of person |
|---|---|
| Nil to HK$1,000,000 | 2 |
| HK$1,000,001 to HK$2,000,000 | 5 |
| HK$2,000,001 to HK$3,000,000 | – |
| HK$3,000,001 to HK$4,000,000 | 1 |

## Nomination committee

The members of audit committee comprise Mr. Chung Wing Yin, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason and is chaired by Mr. Chung Wing Yin.

Main duties of nomination committee include (but without limitation): (i) reviewing the structure, size and composition of the Board, (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to the Board on matters relating to the appointment of Directors.

The nomination committee has adopted a policy of diversity for memberships of the Board. It has considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The nomination committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expense of the Company.

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

<table>
<tr><th></th><th colspan="11">Number of Director</th></tr>
<tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td><td>11</td></tr>
<tr><td>Gender</td><td>Female</td><td colspan="10">Male</td></tr>
<tr><td>Designation</td><td colspan="4">Executive Directors</td><td colspan="3">Non-executive Directors</td><td colspan="4">Independent Non-executive Directors</td></tr>
<tr><td>Age Group</td><td colspan="3">31-40</td><td colspan="4">41-50</td><td colspan="3">51-60</td><td>61-70</td></tr>
<tr><td>Skill / Experience</td><td colspan="5">Experience in project development and general management</td><td colspan="3">Extensive experience in securities and investment industry</td><td colspan="2">Extensive experience in accounts and financial services</td><td>Qualified lawyer</td></tr>
<tr><td>Length of Services</td><td colspan="2">Less than 1 year</td><td colspan="7">Less than 3 years</td><td colspan="2">Less than 4 years</td></tr>
</table>

During the year, the nomination committee held a meeting and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Ms. Loretta Lee, Mr, Lai Yui and Mr. Chan Kam Kwan Jason, and advising the Board on the re-election of such retiring Directors at the 2016 AGM.

## Corporate governance committee

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

Main duties of the corporate governance committee include (but without limitation): (i) reviewing and assessing compliance with internal policies of our Group; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and developing our Company's policies and practices on corporate governance; and (iv) reviewing our Company's compliance with Appendix 14 to the Listing Rules.

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

## Internal control

The Board is responsible for formulating proper internal control and risk management systems for the Group, and reviewing its effectiveness regularly through the audit committee.

The system of internal controls covers the areas of financial, accounting, operational, compliance and risk management of the Group's business.

The internal audit department of the Group works with the external professional consultancy company accountable and reports directly to the audit committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and senior management in complying with the regulatory requirements and guidelines, so as to improve the efficiency of the internal control system. Through continuous internal audit and reporting from time to time, the internal audit department will ensure the effective operation of the internal control system.

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

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

## Company Secretary

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 50 of this annual report.

## Shareholders' rights

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

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

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

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

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

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

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

## 2016 Annual General Meeting

At the 2016 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during 2016.

## Communication with Shareholders

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

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

– The Company is committed to improve its investor relations. During the year 2016 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;

– The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 134 in the corporate information of this annual report;

– The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2016 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk); and

– The Company's notice of 2017 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

## Constitutional documents

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

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

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

## Directors' Profile

### Executive Directors

**Ms. Lee Wing Yee Loretta (李詠怡)**, aged 42, was appointed as a Director on 28 January 2014 and re-designated as an executive Director and the chairlady of our Company on 24 September 2014. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee served as an officer of the finance and human resource department of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1997 to September 2012 and the last position she held was manager of the finance and human resource department. The principal business of Dongguan Sanyang Industrial Development Co., Ltd included the trading of heavy oil. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

**Mr. Lai Kin Man (黎健文)**, also known as Li Jianwen (黎建文), aged 37, was appointed as a Director on 10 February 2014 and re-designated as an executive Director and the deputy chairman of our Company on 24 September 2014. He has been a director of Eco-Tech since June 2003 and a director of Kewei since October 2011. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Before founding our Group, Mr. KM Lai worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1998 to October 2002 and was responsible for business development. He served as the legal representative, chairman and general manager of Guangdong Canvest Investments Company Limited (廣東粵豐投資有限公司) (formerly known as Dongguan Canvest Industrial Investments Limited (東莞市粵豐實業投資有限公司)) from November 2002 to September 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

**Mr. Yuan Guozhen (袁國楨)**, aged 51, was appointed as an executive Director on 24 September 2014. Mr. Yuan is the Chief Executive Officer of our Group. He is responsible for executing the overall strategies and managing the daily operation of our Group. Mr. Yuan is a director of Eco-Tech since June 2003 and a director and general manager of Kewei since October 2011. He is also the legal representative and director of Zhanjiang Yuefeng and Canvest Consultancy since their respective establishment. He served as the executive deputy general manager of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1995 to July 2004 and was mainly responsible for assisting the general manager in the operation and management of the company. Mr. Yuan served as general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)) from July 2004 to September 2008. He served as the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. The principal business of Dongguan China Power New Energy Heat and Power Company Limited, a subsidiary of CPNE, includes natural gas power generation. Yunnan Shuang Xing Green Power Company Limited is also a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in June 2009.

**Mr. Lai Chun Tung (黎俊東)**, aged 42, was appointed as an executive Director on 24 September 2014. Mr. CT Lai is the legal representative, general manager and a director of Eco-Tech since August 2007, a director of Kewei since February 2009, and a director of Zhanjiang Yuefeng since its establishment in April 2013. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 10th and the 11th Guangdong Committee of Chinese People's Political Consultative

Conference (中國人民政治協商會議廣東省委員會), and a standing member of the 12th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省東莞市委員會). Mr. CT Lai has worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) since September 1997 and is currently its general manager. He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2007. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

### Non-executive Directors

**Mr. Feng Jun (馮駿)**, aged 53, is the chief representative of the Shanghai Representative Office of SIHL, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 363), an executive director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK.SG) since December 2009 and a director and general manager of SIIC Management (Shanghai) Ltd. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics in 1987. Mr. Feng was an assistant chief executive officer and the chief investment officer of SIHL, a deputy manager of the trust department of Shanghai International Trust Co., a director and vice president of SIIC Investment Company Limited and a director and deputy general manager of The Tien Chu (Hong Kong) Company Limited. He has over 29 years' experience in capital markets operation.

**Mr. Lui Ting Cheong Alexander (呂定昌)**, aged 37, was appointed as a non-executive Director on 24 September 2014. He is a managing director of Olympus Capital Holdings Asia co-leading the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since October 2008. From July 2009 to March 2010, Mr. Lui served as the interim chief financial officer of Zhaoheng Hydropower Holdings Limited (兆恒水電股份有限公司), a current Olympus Capital Holdings Asia portfolio company. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till August 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in May 2001.

**Mr. Lai Yui (黎叡)**, aged 42, was appointed as a non-executive Director on 24 September 2014. He has been employed by various subsidiaries of BOC International Holdings Limited as managing director since January 2013 and currently is a managing director of CITP Advisor (Hong Kong) Ltd. Before joining BOC International Holdings Limited, he served as a director of Temasek Holdings (Private) Limited since June 2007. Mr. Lai graduated from University of Pennsylvania with a bachelor of science degree (magna cum laude) and a bachelor of arts degree (magna cum laude) in May 1997.

### Independent Non-executive Directors

**Professor Sha Zhenquan (沙振權)**, aged 56, was appointed as an independent non-executive Director on 7 December 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). He was an independent director of Shenzhen Noposion Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215) from December 2009 to December 2015 and an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014. He is an independent director of Dongling Grain and Oil Co., Ltd. (廣州東淩糧油股份有限公司) (stock code: 000893) and Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319), which are companies listed on the Shenzhen Stock Exchange. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in December 1982, a master's degree in engineering from South China University of Technology (華南理工大學) in July 1991 and a doctor's degree in philosophy from City University of Hong Kong in November 2001.

**CHAN Kam Kwan Jason (陳錦坤)**, aged 43, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and secretary of Brockman Mining Limited (Stock Code: 0159). He resigned as the independent non-executive director of AMCO United Holding Limited (Stock Code: 0630) (formerly known as Guojin Resources Holdings Limited and Jackin International Holdings Limited) on 30 June 2015. He is the company secretary of Frontier Services Group Limited (formerly known as DVN (Holdings) Limited) (Stock Code: 0500). He is the company secretary of Concord New Energy Group Limited (formerly known as China WindPower Group Limited) (Stock Code: 0182) and was the executive director of the same company from December 2006 to January 2014. He was appointed as the executive director and company secretary of Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (Stock Code:8172) from November 2015. Each of Brockman Mining Limited, AMCO United Holding Limited, Frontier Services Group Limited, Concord New Energy Group Limited and Lajin Entertainment Network Group Limited is a company listed on the Hong Kong Stock Exchange. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia in May 1995.

**Mr. Chung Wing Yin (鍾永賢)**, aged 39, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in August 2002 and a solicitor of the Supreme Court of England and Wales in October 2003, respectively. He is a partner of Li & Partners and has over ten years' experience in legal professional industry. Mr. Chung's practice areas include general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. Before joining Li & Partners, Mr. Chung worked at several Hong Kong law firms and was mainly involved in cross border commercial projects. He is the independent non-executive director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock Code: 6122) and CBK Holdings Limited (Stock Code: 8428). Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in December 1999 and December 2004, respectively.

**Mr. Chung Kwok Nam (鍾國南)**, aged 65, has over 40 years' experience in banking and management. He was a zone manager of Industrial & Commercial Bank of China (Asia) Limited ("ICBC Asia") until his retirement in January 2013. Before joining ICBC Asia, he was a branch manager of The Hongkong and Shanghai Banking Corporation Limited. He graduated in Pui Chung College in 1971.

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

## Senior Management's Profile

**Mr. Song Lanqun (宋蘭群)**, aged 49, joined our Group in February 2004 and was appointed as vice president and chief engineer of our Group on 24 September 2014 and is responsible for production operation and technology management of our Group. He serves as an executive deputy general manager of Eco-Tech and Kewei and the general manager of Zhanjiang Yuefeng. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Mr. Song worked at Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) as deputy general manager and chief engineer from February 1997 to February 2004. The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in July 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in July 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in December 2004.

**Mr. Chen Bo (陳波)**, aged 40, joined Kewei in March 2009 and was appointed as vice president and chief engineer of our Group on 24 September 2014. He joined China Scivest from Kewei in June 2011 as executive deputy general manager and chief engineer. He became a director of China Scivest in December 2012. He is responsible for

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

production operation and technology management of our Group. Mr. Chen first joined Eco-Tech as a chief engineer in March 2003. Mr. Chen served as a deputy general manager and chief engineer of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Power Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Chen worked at Kewei as the deputy general manager and the chief engineer from March 2009 to May 2011 and then joined China Scivest in June 2011 to lead the Technological Upgrade of China Scivest WTE Plant. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in July 2000 with a bachelor of engineering degree in thermal power engineering.

**Ms. Wong Ling Fong Lisa (王玲芳)**, aged 43, joined our Group in June 2013 as the chief financial officer. She has also been our company secretary since 24 September 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. She was in charge of the investment department of Ng's International Investment Co. Ltd. from March 2009 to January 2012 and left Ng's International Investment Co. Ltd. as chief operation officer in the investment department. Ms. Wong was the financial controller responsible for financial planning and daily management of accounting department of Wah Yuet (Ng's) Group Holdings Limited from February 2005 to March 2009. She worked at KPMG from September 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in November 1998 with a degree of bachelor of arts in accountancy.

**Ms. Guo Huilian (郭惠蓮)**, aged 47, joined our China Scivest in August 2011 and was appointed as vice president of our Group on 24 September 2014. She is responsible for the administration and procurement of our Group. Ms. Guo currently serves as a director and general manager of China Scivest since August 2011 and January 2013, respectively. She has also been a director of Canvest Consultancy since its establishment in April 2014. She served as a deputy general manager of Dongguan Dongqiang Industrial Development Co., Ltd (東莞市東強實業發展有限公司) from June 1998 to August 2008 and was mainly involved in the management of construction business. Before joining China Scivest, Ms. Guo also served as a deputy general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)), a subsidiary of CPNE, from November 2008 and was mainly involved in managerial function and financial management of natural gas power generation business. The principal business of Dongguan China Power New Energy Heat and Power Company Limited includes natural gas power generation. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in July 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

**Ms. Zhang Xunmei (張洵梅)**, aged 48, joined Kewei in March 2009 and was appointed as vice president of our Group on 25 August 2014. She is a director of China Scivest. She joined China Scivest from Kewei in June 2011 and serves as deputy general manager of China Scivest since June 2012. She is responsible for the financial management of China Scivest and Zhanjiang Yuefeng. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in December 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in May 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in November 2000. She worked at Dongguan Wufang Electrical Engineering Company Limited (東莞市五方電力工程有限公司) in various roles in relation to accounting from November 1996 to October 2005. Before joining our Group in March 2009, Ms. Zhang served as financial manager and the assistant to the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to February 2009. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes the generation and sale of electricity. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in July 1989 with an associate degree (大專學歷) in industrial moulding design.

**Mr. Min Zeqing (閔澤清)**, aged 49, joined Kewei and was appointed as vice president of our Group in August 2015. He is responsible for business and project development of our Group. He worked at factory manager of the Jiangsu Taicang WTE power plant of GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司) from November 2003 to December 2004. He served as the deputy general manager of Zhejiang Wangneng Environmental Protection Company Limited (浙江旺能環保有限公司) from December 2004 to September 2005. He also served at the deputy general manager of Guangzhou Environment Protection Investment Group Company Limited (廣州環保投資有限公司) from September 2005 to April 2007. He was the vice president of C&G Environmental Protection (China) Company Limited (創冠環保（中國）有限公司) from May 2007 and November 2011. He was the vice president of Guangdong Promising Environmental Protection Investment Company Limited (廣東博海昕能環保投資有限公司) from November 2011 to July 2015. Mr. Min graduated from China University of Petroleum (中國石油大學（華東）) in 1988 with an associate degree.

**Mr. Zhao Li (趙立)**, aged 48, joined our Group in 2015 and was appointed as vice president of our Group and is responsible for the construction of phase II of Eco-Tech. Mr. Zhao served as a deputy general manager and chief engineer of Dongguan Dongcheng Dongxing Cogeneration Company Limited (東莞東城東興熱電有限公司)(now known as Dongguan China Power New Energy Cogeneration Company Limited (東莞中電新能源熱電有限公司), a subsidiary of CPNE, from 2003 to 2014. He graduated from the Wuhan University in 1990 with a bachelor of engineering degree in thermal power engineering of power plant. He has over 26 years' experience in energy sector.

**Mr. Qu Hangyan (曲航嚴)**, aged 51, joined our Group in June 2016 and was appointed as vice president of our Group and is responsible for the human resources and administration of our Group. Mr. Qu served as the general manager of Fujian Baoluo Environmental Industry Company Limited (福建保羅環境產業股份有限公司) from July 2015 to June 2016. He was the chief operating officer of Golden State Environment Investment Company Limited (金州環境投資股份有限公司) from November 2012 to December 2013 and then moved to chief executive officer from January 2014 to June 2015. He held several senior positions of Covanta Energy Asia Pacific Holdings Limited (卡萬塔能源(中國)投資有限公司) and its subsidiaries from February 2004 to October 2012. Mr. Qu graduated from the Zhengzhou University in 2003 with a bachelor of electric power system and automation and finished an EMBA president course from Shanghai Jiao Tong University in 2012. He has over 23 years' experience in energy sector.

# REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2016.

## Principal activities

The Company is principally engaged in investment holdings. Its operating subsidiaries are principally engaged in the development, management and operation of WTE plants.

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

## Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out in note 14 to the consolidated financial statements.

## Results and overall performance

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 69 of this annual report.

Business review of the Group during the year ended 31 December 2016, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 4 to 7 of this annual report. Management discussion and analysis are set out on pages 11 to 22 of this annual report.

## Dividends

The Board has proposed the declaration of a final dividend of HK1.6 cents per ordinary share for the year ended 31 December 2016 (2015: nil). If approved by shareholders, the total dividend of 2016 was HK2.7 cents per share.

## Share issued in the year

Details of the shares issued in the year ended 31 December 2016 are set out in note 24 to the consolidated financial statements.

As at 31 December 2016, the Company had 2,034,235,294 shares in issue.

## Reserves

Details of movements in reserves of the Group during the year ended 31 December 2016 are set out on page 74 of this annual report.

As at 31 December 2016, the reserves of the Company available for distribution to shareholders amounted to HK$1,293.1 million (2015: HK$1,194.6 million).

## Charitable donations

The total amount of charitable donations made by the Group during the year ended 31 December 2016 was HK$50,000.

## Use of Proceeds from the Initial Public Offering

The shares of the Company first became listed on the Hong Kong Stock Exchange on 29 December 2014.

Gross proceeds raised from the initial public offering amounted to about HK$1,165.0 million, and net proceeds (after deduction of listing expenses and underwriting commissions) amounted to about HK$1,068.5 million. As at 31 December 2016, HK$989.3 million was used. The balance was kept in banks in Hong Kong. Details of the use of proceeds during the year ended 31 December 2016 are set out in the management discussion and analysis on pages 11 to 22 of this annual report.

## Property, plant and equipment

As at 31 December 2016, the property, plant and equipment of the Group amounted to approximately HK$1,201.7 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 16 to the consolidated financial statements.

## Borrowings and interest capitalised

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2016 are set out in note 25 and 26 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2016 are set out in note 11 to the consolidated financial statements.

## Retirement benefit scheme

Details of retirement benefit scheme of the Group are set out in note 2.23 to the consolidated financial statements.

## Financial summary

The financial summary of the Group for the year ended 31 December 2016 and the 4 preceding financial years is set out on pages 131 to 132 of this annual report.

## Directors

The list of Directors of the Board is set out on page 36 of this annual report and their biographical details are set out on pages 47 to 49 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Mr. KM Lai, Mr. Yuan Guozhen and Professor Sha Zhenquan will retire at the 2017 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

## Senior management

Biographical details of the senior management of the Group are set out on pages 49 to 51 of this annual report.

## Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. Details of the movement in share options of the Company during the year ended 31 December 2016 are set out in note 24(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

| | |
|---|---|
| Purpose of the Share Option Scheme | To recognise, motivate and provide incentives to eligible participants who make contributions to the Group:<br><br>1. To motivate the eligible participants to optimise their performance and efficiency; and<br><br>2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group. |
| Participants of the Share Option Scheme | Eligible participants can be any of the following class of persons:<br><br>1. Any full-time or part-time employees of any member of the Group;<br><br>2. Any consultant or advisor of any member of the Group;<br><br>3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group;<br><br>4. Any substantial shareholder of any member of the Group; and<br><br>5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group. |
| Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2016, 22 March 2017 and at the date of this annual report | The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 9.68%, 9.68% and 8.02% of the issued share capital of the Company as at 31 December 2016, the annual results announcement dated 22 March 2017 and as at the date of this annual report, respectively. |

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

## REPORT OF THE DIRECTORS

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

| Name or category of participant | Outstanding as at 1 January 2016 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | Outstanding as at 31 December 2016 | Date of grant of share options | Exercise period of share options* | Exercise price of share options** HK$ per share |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| Ms. Loretta Lee | 250,000 | – | – | – | – | 250,000 | 24 April 2015 | 24 April 2015 to 23 April 2025 | 4.39 |
| Mr. Yuan Guozhen | 250,000 | – | – | – | – | 250,000 | 24 April 2015 | 24 April 2015 to 23 April 2025 | 4.39 |
| Mr. CT Lai | 250,000 | – | – | – | – | 250,000 | 24 April 2015 | 24 April 2015 to 23 April 2025 | 4.39 |
| Subtotal | 750,000 | – | – | – | – | 750,000 | | | |
| **Other employees working under continuous employment contracts** | | | | | | | | | |
| In aggregate | 2,250,000 | – | – | – | – | 2,250,000 | 24 April 2015 | 24 April 2015 to 23 April 2025 | 4.39 |
| Total | 3,000,000 | – | – | – | – | 3,000,000 | | | |

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

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

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

The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 9.68%, 9.68% and 8.02% of the issued share capital of the Company as at 31 December 2016, the annual result announcement dated 22 March 2017 and as at the date of this annual report, respectively.

## Directors' interests in shares, underlying shares and short positions

As at 31 December 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

### (1) Long positions in shares of the Company

| | Number of Shares/Underlying Shares Held | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Personal interest | Number of underlying shares held under equity derivatives[2] | Spouse interests | Founder of a discretionary trust[1] | Beneficiary of trust | Total interests[4] | Total interests as % of the issued share capital |
| Ms. Loretta Lee | 1,376,000 | 250,000 | 250,000 | 1,301,652,837 | – | 1,303,528,837 | 64.1% |
| Mr. KM Lai | – | – | 10,000,000 | 1,301,652,837 | – | 1,311,652,837 | 64.5% |
| Mr. Yuan Guozhen | – | 250,000 | 357,000 | – | – | 607,000 | 0.03% |
| Mr. CT Lai | – | 250,000[3] | 1,626,000 | – | 1,301,652,837 | 1,303,528,837 | 64.1% |
| Professor Sha Zhenquan | 30,000 | – | – | – | – | 30,000 | 0.0% |

Note:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
2. Details of share options held by the directors are shown in page 56.
3. These represent the 250,000 share options held by Mr. CT Lai.
4. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

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

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

Note:

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

## Substantial Shareholders' Interests in Shares, underlying Shares and Short Positions

So far as is known to the Directors or chief executives of the Company, as at 31 December 2016, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, increased in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

### (1) Our Company

| Name of Shareholder | Nature of Interest | Number of Shares Held | Number of Underlying Shares | Approximate percentage of shareholding |
|---|---|---|---|---|
| HSBC International Trust Limited | Trustee | 1,301,652,837[(1)] | – | 64.0% |
| VISTA Co | Interest of controlled corporation | 1,301,652,837[(2)] | – | 64.0% |
| Century Rise | Interest of controlled corporation | 1,301,652,837[(3)] | – | 64.0% |
| Best Approach | Beneficial owner | 1,301,652,837 | – | 64.0% |
| AEP Green Power, Limited | Beneficial owner | 128,305,678 | – | 6.3% |
| IFC | Beneficial owner | – | 119,540,360 | 5.9% |

Notes:

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

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

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

## Interests of any other persons

Save as disclosed in the foregoing, as at 31 December 2016, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

## Employees and remuneration policies of the Group

As at 31 December 2016, the Group had a total of 693 employees. The related employees' costs for the year ended 31 December 2016 amounted to HK$113.7 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

## Directors' remuneration and five highest paid individuals

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

Details of Directors' remuneration and the five highest paid individuals of the Group during the year 2016 are set out in note 10 to the consolidated financial statements.

## Directors' interest in competing business

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

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

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

## Directors’ material interest in transactions, arrangements or contracts

No transaction, arrangement or contract of significance in relation to the Group’s business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

## Liability insurance of Directors and senior management

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

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

## Directors’ rights to acquire securities

Apart from the details disclosed under the headings “Share Option Scheme” and “Directors’ interests in shares, underlying shares and short positions” in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits (2015: Nil).

## Equity-linked agreements

On 20 January 2016, the Company entered a convertible loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465,012,000. IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into conversion shares at a conversion price of HK$3.91 per share (subject to the adjustment as set out in the convertible loan agreement). For reasons for entering into the agreement, please refer to the announcement of the Company dated 20 January 2016. As at 31 December 2016, the convertible loan has been drawn. On 12 April 2017, the convertible loan has been fully converted to 121,096,875 Shares at conversion price of HK$3.84 per Share. Please refer to the announcement of the Company dated 12 April 2017 for further details.

## Major customers and suppliers

During the year ended 31 December 2016, the largest and five largest customers of the Group accounted for less than 28% and 75% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 6% and 24% of purchases of the Group for the year, respectively.

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

## Key relationships with stakeholders

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

### Employees

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

### Customers

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

### Suppliers

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

### Local regulatory authorities

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

## Management contracts

In August 2016, the Group entered into a management agreement with counterparties, pursuant to which, the counterparties entrusted the Group for the management of the construction and operation of Zhongshan Guangye WTE plant.

Save as disclosed above, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## Pre-emptive rights

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

## Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016 (2015: nil).

## Corporate governance

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 36 to 46 of this annual report.

## Risk and uncertainties

The major risks and uncertainties faced by the Group are set out in the environmental, social and governance report on pages 34 to 35 of this annual report.

## Environmental policies and sustainable development

The environmental policies of the Group and its performance for the year ended 31 December 2016 are set out in the environmental, social and governance report on pages 23 to 35 of this annual report.

## Compliance with laws and regulations

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

## Public float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital being held by the public for the year ended 31 December 2016 and as at the date of this report.

## Audit committee

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2016, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

## Related party transaction

Details of the major related party transactions undertaken in the normal course of business are provided under note 32 to the consolidated financial statements of this annual report, and none of which constitutes a discloseable continuing connected transaction as defined under the Listing Rules.

## Auditors

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2017 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2017 AGM.

## Events after the balance sheet date

Details of the post balance sheet events are provided under note 33 to the consolidated financial statements of this annual report.

On behalf of the Board

**Lee Wing Yee Loretta**
*Chairlady*

Hong Kong, 22 March 2017

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

## Opinion

### What we have audited

The consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 130, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

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

### Independence

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

## Key Audit Matters

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

Key audit matter identified in our audit is related to recognition of construction revenue arising from service concession arrangements.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Recognition of construction revenue arising from service concession arrangements** | |
| Refer to note 4 (Critical accounting estimates and judgements) and note 5 (Revenue and segment information) to the consolidated financial statements. | |
| The Group entered into several service concession arrangements with local government authorities in respect of its waste-to-energy projects. These arrangements are accounted for with reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements. | In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| The Group acts as a service provider which constructs infrastructure used to provide waste-to-energy services and operates and maintains those infrastructure for a specified period of time under the respective service concession arrangements.<br><br>Construction revenue is recognised during the construction phase using the percentage of completion method, based on the expected mark-up of individual project and applied that on the actual construction costs incurred. The Group recognised construction revenue of HK$843,760,000 from these arrangements for the year ended 31 December 2016, representing 51% of the Group's total revenue.<br><br>We focused on this area because significant management judgement is involved to determine the estimated total construction costs, percentage of completion and mark-up margin of the Group's projects. | We performed an evaluation of the judgments made by management, whereby we discussed the status of projects with management and examined project documentation including status reports prepared internally by project managers or externally by contractors as applicable. We compared the estimated construction costs for each project under construction phase with reference to the actual costs incurred for completed projects of comparable energy output and combustion capacity. We also circulated independent confirmations to major contractors to confirm the percentage of completion on a sample basis.<br><br>The Group has engaged an independent valuer to assist management to estimate the mark-up margin, with reference to gross margin of listed companies which are engaged in similar business of the Group. We assessed the competency, capability and objectivity of the independent valuer by considering its qualifications, relevant experience and relationship with the Group. We also discussed with the independent valuer and management to understand the basis of selection and evaluated the reasonableness of the mark-up margin by cross-checking to publicly available financial information of those comparable companies.<br><br>Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of construction revenue arising from service concession arrangement are supportable by available evidence. |

## Other Information

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

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

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

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

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Tak Wai, Daniel.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 22 March 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

| | Note | **2016** HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **1,653,552** | 1,184,536 |
| Cost of sales | 6 | **(1,064,263)** | (745,212) |
| **Gross profit** | | **589,289** | 439,324 |
| General and administrative expenses | 6 | **(122,904)** | (111,646) |
| Other income | 7 | **82,593** | 49,158 |
| Other (loss)/gain, net | 8 | **(1,626)** | 4,325 |
| **Operating profit** | | **547,352** | 381,161 |
| Interest income | 11 | **4,426** | 11,897 |
| Interest expense | 11 | **(88,905)** | (63,271) |
| Interest expense, net | | **(84,479)** | (51,374) |
| **Profit before income tax** | | **462,873** | 329,787 |
| Income tax expense | 12 | **(62,855)** | (40,892) |
| **Profit for the year** | | **400,018** | 288,895 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **400,018** | 272,001 |
| Non-controlling interests | | **–** | 16,894 |
| | | **400,018** | 288,895 |
| **Earnings per share** | | | |
| — basic (expressed in HK cents per share) | 13 | **19.8** | 13.6 |
| — diluted (expressed in HK cents per share) | 13 | **19.8** | 13.6 |

The notes on pages 77 to 130 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **Profit for the year** | **400,018** | 288,895 |
| **Other comprehensive loss:** | | |
| *Items that have been reclassified or may be subsequently reclassified to profit or loss* | | |
| Currency translation differences | **(172,366)** | (109,761) |
| **Other comprehensive loss for the year, net of tax** | **(172,366)** | (109,761) |
| **Total comprehensive income for the year** | **227,652** | 179,134 |
| **Attributable to:** | | |
| Equity holders of the Company | **227,652** | 162,161 |
| Non-controlling interests | **–** | 16,973 |
| **Total comprehensive income for the year** | **227,652** | 179,134 |

The notes on pages 77 to 130 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2016

| | Note | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 15 | **140,441** | 153,642 |
| Property, plant and equipment | 16 | **1,201,711** | 964,989 |
| Intangible assets | 17 | **2,630,441** | 1,914,654 |
| Long-term deposits and prepayments | 21 | **295,186** | 119,892 |
| Gross amounts due from customers for contract work | 18 | **820,862** | 511,595 |
| | | **5,088,641** | 3,664,772 |
| **Current assets** | | | |
| Inventories | 20 | **761** | 472 |
| Trade and bills receivables | 21 | **114,334** | 86,578 |
| Gross amounts due from customers for contract work | 18 | **55,981** | 38,026 |
| Other receivables, deposits and prepayments | 21 | **139,307** | 72,373 |
| Restricted deposits | 22 | **42,927** | 156,560 |
| Cash and cash equivalents | 23 | **618,953** | 449,136 |
| | | **972,263** | 803,145 |
| **Total assets** | | **6,060,904** | 4,467,917 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 24 | **20,342** | 20,000 |
| Share premium | 24 | **1,195,835** | 1,084,780 |
| Other reserves | 24 | **477,532** | 542,876 |
| Retained earnings | | **1,029,334** | 686,745 |
| | | **2,723,043** | 2,334,401 |
| Non-controlling interests | | **–** | – |
| **Total equity** | | **2,723,043** | 2,334,401 |

## CONSOLIDATED BALANCE SHEET

As at 31 December 2016

| | Note | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | 25 | **1,634,549** | 1,098,852 |
| Convertible loan | 26 | **407,935** | – |
| Other payables | 27 | **145,333** | 37,300 |
| Deferred government grants | | **36,789** | 56 |
| Other non-current liabilities | | **2,954** | 2,708 |
| Deferred income tax liabilities | 19 | **251,649** | 209,373 |
| | | **2,479,209** | 1,348,289 |
| **Current liabilities** | | | |
| Trade and other payables | 27 | **568,452** | 461,003 |
| Bank borrowings | 25 | **276,837** | 321,043 |
| Current income tax liabilities | | **13,363** | 3,181 |
| | | **858,652** | 785,227 |
| **Total liabilities** | | **3,337,861** | 2,133,516 |
| **Total equity and liabilities** | | **6,060,904** | 4,467,917 |
| **Net current assets** | | **113,611** | 17,918 |
| **Total assets less current liabilities** | | **5,202,252** | 3,682,690 |

The consolidated financial statements on pages 69 to 130 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

**Lee Wing Yee Loretta**
*Director*

**Lai Chun Tung**
*Director*

The notes on pages 77 to 130 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 (Note 24) | Share premium HK$'000 (Note 24) | Capital reserve HK$'000 (Note 24) | Statutory reserve HK$'000 (Note 24) | Other reserve HK$'000 (Note 24) | Share option reserve HK$'000 (Note 24) | Exchange reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2015** | 20,000 | 1,084,780 | 704,944 | 49,295 | 8,097 | – | 19,473 | 428,403 | 2,314,992 | 102,972 | 2,417,964 |
| **Comprehensive income** | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | 272,001 | 272,001 | 16,894 | 288,895 |
| **Other comprehensive income** | | | | | | | | | | | |
| Currency translation differences | – | – | – | – | – | – | (109,840) | – | (109,840) | 79 | (109,761) |
| **Total comprehensive income for the year** | – | – | – | – | – | – | (109,840) | 272,001 | 162,161 | 16,973 | 179,134 |
| Appropriation of statutory reserve | – | – | – | 13,659 | – | – | – | (13,659) | – | – | – |
| Acquisition of non-controlling interests | – | – | – | – | (148,586) | – | – | – | (148,586) | (119,945) | (268,531) |
| Employees share option scheme – value of employee services | – | – | – | – | – | 5,834 | – | – | 5,834 | – | 5,834 |
| **Balance at 31 December 2015** | 20,000 | 1,084,780 | 704,944 | 62,954 | (140,489) | 5,834 | (90,367) | 686,745 | 2,334,401 | – | 2,334,401 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital HK$'000 (Note 24) | Share premium HK$'000 (Note 24) | Capital reserve HK$'000 (Note 24) | Statutory reserve HK$'000 (Note 24) | Other reserve HK$'000 (Note 24) | Share option reserve HK$'000 (Note 24) | Exchange reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2016** | | 20,000 | 1,084,780 | 704,944 | 62,954 | (140,489) | 5,834 | (90,367) | 686,745 | 2,334,401 | – | 2,334,401 |
| **Comprehensive income** | | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | – | 400,018 | 400,018 | – | 400,018 |
| **Other comprehensive income** | | | | | | | | | | | | |
| Currency translation differences | | – | – | – | – | – | – | (172,366) | – | (172,366) | – | (172,366) |
| **Total comprehensive income for the year** | | – | – | – | – | – | – | (172,366) | 400,018 | 227,652 | – | 227,652 |
| Appropriation of statutory reserve | | – | – | – | 35,052 | – | – | – | (35,052) | – | – | – |
| Interim dividend declared and paid | 28 | – | – | – | – | – | – | – | (22,377) | (22,377) | – | (22,377) |
| Issuance of shares through placement | 24 | 342 | 111,055 | – | – | – | – | – | – | 111,397 | – | 111,397 |
| Receipt of convertible loan | 26 | – | – | – | – | 71,970 | – | – | – | 71,970 | – | 71,970 |
| **Balance at 31 December 2016** | | 20,342 | 1,195,835 | 704,944 | 98,006 | (68,519) | 5,834 | (262,733) | 1,029,334 | 2,723,043 | – | 2,723,043 |
| **Representing:** | | | | | | | | | | | | |
| 2016 proposed final dividend | 28 | | | | | | | | 32,548 | | | |
| Other retained earnings | | | | | | | | | 996,786 | | | |
| | | | | | | | | | 1,029,334 | | | |

The notes on pages 77 to 130 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

| | Note | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **462,873** | 329,787 |
| Adjustment for: | | | |
| Construction revenue arising from build, own and transfer ("BOT") arrangement | | **(843,760)** | (583,328) |
| Finance income arising from BOT arrangement | | **(34,202)** | (20,080) |
| Depreciation of property, plant and equipment | | **70,305** | 47,184 |
| Amortisation of land use rights | | **3,619** | 3,843 |
| Amortisation of intangible assets | | **77,167** | 67,759 |
| Interest income | | **(4,426)** | (11,897) |
| Interest expense | | **88,905** | 63,271 |
| Exchange differences | | **1,935** | 4,602 |
| Share option expense | | **–** | 5,834 |
| (Gain)/loss on disposals of property, plant and equipment | | **(309)** | 277 |
| Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation) | | | |
| — Non-current prepayments | | **(15,420)** | (11,238) |
| — Inventories | | **(12,674)** | (3,196) |
| — Trade and other receivables | | **(38,685)** | (59,027) |
| — Trade and other payables | | **213,598** | 148,446 |
| Net cash used in operations | | **(31,074)** | (17,763) |
| Income tax paid | | **(22,583)** | (13,701) |
| Net cash used in operating activities | | **(53,657)** | (31,464) |
| **Cash flows from investing activities** | | | |
| Acquisition of a subsidiary, net of cash acquired | 29 | **(28,970)** | (355,878) |
| Payment for deposits for investments | | **(227,066)** | (64,697) |
| Payments for purchase of property, plant and equipment | | **(381,261)** | (367,279) |
| Proceeds from disposals of property, plant and equipment | | **369** | 1,872 |
| Increase in restricted deposits | | **(2,820)** | (1,244) |
| Decrease in short-term bank deposits | | **–** | 124,420 |
| Interest received | | **4,426** | 11,897 |
| Net cash used in investing activities | | **(635,322)** | (650,909) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

| | Note | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Decrease/(Increase) in restricted deposits | | **111,188** | (155,525) |
| Acquisition of non-controlling interests | | **–** | (268,531) |
| Proceeds from borrowings | | **821,723** | 757,718 |
| Repayments of borrowings | | **(421,922)** | (350,130) |
| Interest paid | | **(89,990)** | (80,136) |
| Repayment of ex-shareholders' loans of a subsidiary | | **(66,868)** | (68,785) |
| Net proceeds from convertible loan | | **457,658** | – |
| Issuance of ordinary shares | | **111,397** | – |
| Professional expenses paid in connection with the Company's listing | | **–** | (10,194) |
| Interim dividend paid | | **(22,377)** | – |
| Net cash generated from/(used in) financing activities | | **900,809** | (175,583) |
| **Net increase/(decrease) in cash and cash equivalents** | | **211,830** | (857,956) |
| Cash and cash equivalents at beginning of year | | **449,136** | 1,328,172 |
| Currency translation differences | | **(42,013)** | (21,080) |
| **Cash and cash equivalents at end of year** | | **618,953** | 449,136 |

The notes on pages 77 to 130 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 1 General information

### 1.1 General information

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

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

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

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2017.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *2.1.1 Changes in accounting policy and disclosures*

***(a) New and amended standards adopted by the Group***

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11,
- Clarification of acceptable methods of depreciation and amortisation – Amendments to Hong Kong Accounting Standard ("HKAS") 16 and HKAS 38,
- Annual improvements to HKFRSs 2012–2014 cycle, and
- Disclosure initiative – amendments to HKAS 1.

Apart from those disclosed above, other new/revised HKFRSs that are effective for accounting periods beginning on 1 January 2016 do not have any impact on the Group.

***(b) New standards and interpretations not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

*HKFRS 9, 'Financial instruments'*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

For the year ended 31 December 2016

# 2 Summary of significant accounting policies *(Continued)*

## 2.1 Basis of preparation *(Continued)*

### *2.1.1 Changes in accounting policy and disclosures* *(Continued)*

#### *(b) New standards and interpretations not yet adopted* *(Continued)*

*HKFRS 9, 'Financial instruments' (Continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

*HKFRS 15, 'Revenue from contracts with customers'*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

For the year ended 31 December 2016

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *2.1.1 Changes in accounting policy and disclosures* *(Continued)*

***(b) New standards and interpretations not yet adopted*** *(Continued)*

*HKFRS 15, 'Revenue from contracts with customers' (Continued)*

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the group does not intend to adopt the standard before its effective date.

*HKFRS 16, 'Leases'*

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK$9,580,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

For the year ended 31 December 2016

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Subsidiaries

#### *2.2.1 Consolidation*

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

***(a) Business combinations***

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

Acquisition-related costs are expensed as incurred.

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

For the year ended 31 December 2016

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Subsidiaries *(Continued)*

#### *2.2.1 Consolidation* *(Continued)*

***(a) Business combinations*** *(Continued)*

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

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

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

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

#### *2.2.2 Separate financial statements*

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 Segment reporting

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

### 2.4 Foreign currency translation

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions and balances*

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

#### *(iii) Group companies*

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

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

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

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

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

For the year ended 31 December 2016

## 2 Summary of significant accounting policies *(Continued)*

### 2.5 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 16).

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

Construction in progress ("CIP") represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises all direct costs of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

### 2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments made for the rights to use the land.

Amortisation of land use rights is expensed in the consolidated statement of profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated statement of profit or loss.

# 2 Summary of significant accounting policies *(Continued)*

## 2.7 Intangible assets

### *(a) Goodwill*

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

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

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

### *(b) Concession right to build, own and transfer a waste-to-energy plant*

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

## 2.8 Impairment of non-financial assets

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.9 Financial assets

#### *2.9.1 Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "gross amounts due from customers for contract work", "trade and bills receivables", "other receivables and deposits", "restricted deposits" and "cash and cash equivalents" in the consolidated balance sheet.

#### *2.9.2 Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

### 2.10 Offsetting financial instruments

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 Impairment of financial assets

#### *Assets carried at amortised cost*

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

### 2.12 Inventories

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

For the year ended 31 December 2016

## 2 Summary of significant accounting policies *(Continued)*

### 2.13 Receivables

#### *(a) Trade and other receivables*

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

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

#### *(b) Gross amounts due from customers for contract work*

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

### 2.14 Cash and cash equivalents

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

### 2.15 Share capital

Ordinary shares are classified as equity.

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

### 2.16 Trade and other payables

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

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

### 2.17 Borrowings

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.17 Borrowings *(Continued)*

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

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

### 2.18 Provisions

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

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

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

### 2.19 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loan that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the balance sheet date.

## 2 Summary of significant accounting policies *(Continued)*

### 2.20 Current and deferred income tax

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

#### *(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *(b) Deferred income tax*

*Inside basis differences*

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax liability is provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### *(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 Summary of significant accounting policies *(Continued)*

### 2.21 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

### 2.22 Revenue recognition

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

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

#### *(i) Revenue from power sales*

Revenue arising from sales of electricity is recognised in the accounting period when electricity is generated and transmitted.

#### *(ii) Waste treatment fee*

Waste treatment fee is recognised in the accounting period in which the related services are rendered.

#### *(iii) Construction revenue from service concession arrangement*

The Group recognised construction revenue relating to service concession arrangement based on the percentage of completion method during the construction period. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs.

## 2 Summary of significant accounting policies *(Continued)*

### 2.22 Revenue recognition *(Continued)*

#### *(iv) Interest income*

Interest income is recognised using the effective interest method.

#### *(v) Management income*

Management income is recognised in the accounting period in which the management services are rendered.

#### *(vi) Government grants*

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

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

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

### 2.23 Employee benefits

#### *(i) Pension obligations*

Subsidiaries incorporated in the People's Republic of China ("PRC") participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities.

The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

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

For the year ended 31 December 2016

# 2 Summary of significant accounting policies *(Continued)*

## 2.23 Employee benefits *(Continued)*

### *(ii) Employee leave entitlement*

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

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

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

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

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

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

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

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

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.24 Borrowing costs

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

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

### 2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

### 2.26 Dividend distribution

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

## 3 Financial risk management and fair value measurements

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

### 3.1 Market risk

#### *(i) Foreign exchange risk*

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

## 3 Financial risk management and fair value measurements *(Continued)*

### 3.1 Market risk *(Continued)*

#### *(ii) Credit risk*

The credit risk of the Group mainly arises from bank deposits, trade and bills receivables, other receivables and gross amounts due from customers for contract work. Bank deposits are placed with reputable banks and financial institutions.

For trade and bills receivables, other receivables and gross amounts due from customers for contract work, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is not significant.

The Group has concentration of credit risk. As at 31 December 2016, 0% (2015: 63%) of the total trade and bills receivables and gross amounts due from customers for contract work was due from the Group's largest customer, 63% (2015: 68%) of the total trade and bills receivables and gross amounts due from customers for contract work were due from the five largest customers.

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

#### *(iii) Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK$53,657,000 (2015: outflow of HK$31,464,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK$514,566,000 (2015: HK$342,994,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK$460,909,000 (2015: HK$311,530,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

Analysed below is the Group's contractual maturities for its non-derivative financial liabilities as at 31 December 2016 and 2015. The amounts disclosed in the table are the contractual undiscounted cashflows.

For the year ended 31 December 2016

# 3 Financial risk management and fair value measurements *(Continued)*

## 3.1 Market risk *(Continued)*

### *(iii) Liquidity risk* *(Continued)*

| | Within 1 year or on demand HK$'000 | More than 1 year but within 2 years HK$'000 | More than 2 years but within 5 years HK$'000 | More than 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 31 December 2016 | | | | | |
| Bank borrowings | **365,085** | **422,018** | **930,096** | **536,957** | **2,254,156** |
| Convertible loan | **9,352** | **9,352** | **612,140** | **–** | **630,844** |
| Trade and other payables | **565,943** | **145,333** | **–** | **–** | **711,276** |
| | **940,380** | **576,703** | **1,542,236** | **536,957** | **3,596,276** |
| At 31 December 2015 | | | | | |
| Bank borrowings | 392,271 | 238,697 | 944,962 | 264,196 | 1,840,126 |
| Trade and other payables | 460,992 | 37,300 | – | – | 498,292 |
| | 853,263 | 275,997 | 944,962 | 264,196 | 2,338,418 |

### *(iv) Interest rate risk*

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

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

During the year ended 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates on bank borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately HK$17,413,000 (2015: HK$13,005,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the balance sheet date and had been applied to the exposure to cash flow interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

# 3 Financial risk management and fair value measurements *(Continued)*

## 3.2 Capital risk management

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

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

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

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt. The net debt to total capital ratios at 31 December 2016 and 2015 were as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Bank borrowings (Note 25) | **1,911,386** | 1,419,895 |
| Convertible loan (Note 26) | **407,935** | – |
| Less: cash and cash equivalents (Note 23) | **(618,953)** | (449,136) |
| Net debt | **1,700,368** | 970,759 |
| Total equity | **2,723,043** | 2,334,401 |
| Total capital | **4,423,411** | 3,305,160 |
| Net debt to total capital ratio | **38%** | 29% |

For the year ended 31 December 2016

## 3 Financial risk management and fair value measurements *(Continued)*

### 3.3 Fair value

The management considered the carrying amounts of financial assets and liabilities approximated their fair values as at 31 December 2016 and 2015. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

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

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

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

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

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

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

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

As at 31 December 2016 and 2015, the Group does not have any financial assets and liabilities which are measured at fair values.

For the year ended 31 December 2016

## 4 Critical accounting estimates and judgements

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

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

### Service concession arrangements

The Group entered into BOT arrangements in respect of its waste-to-energy projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.22, revenue relating to construction services under such arrangement is recognised based on percentage of completion. The revenue and profit recognition on an incomplete project is dependent on estimating the final outcome of the construction contract as well as the work incurred at each balance sheet dates. Should the actual results be different from those estimated, this would affect the revenue and profit to be recognised in future periods.

## 5 Revenue and segment information

The CODM has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2016, the Executive Directors consider that the Group's operations are operated and managed as a single segment – waste-to-energy project construction and operation (2015: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2016 (2015: same).

An analysis of the Group's revenue is as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Revenue from power sales | **519,386** | 376,211 |
| Waste treatment fee | **256,204** | 204,917 |
| Construction revenue arising from BOT arrangement | **843,760** | 583,328 |
| Finance income arising from BOT arrangement | **34,202** | 20,080 |
| | **1,653,552** | 1,184,536 |

For the year ended 31 December 2016

## 5 Revenue and segment information *(Continued)*

Revenue of approximately HK$448,485,000 is derived from the largest single customer for the year ended 31 December 2016, representing 27% of the Group's total revenue, is attributable to revenue from power sales; approximately HK$280,272,000 is derived from the second largest customer for the year ended 31 December 2016, representing 17% of the Group's total revenue, and for which approximately HK$272,639,000 is attributable to construction revenue and approximately HK$7,633,000 is attributable to finance income; approximately HK$271,496,000 is derived from the third largest customer for the year ended 31 December 2016, representing 16% of the Group's total revenue, is attributable to construction revenue.

Revenue of approximately HK$600,799,000 is derived from the largest single customer for the year ended 31 December 2015, representing 51% of the Group's total revenue, for which approximately HK$583,328,000 is attributable to construction revenue and approximately HK$17,471,000 is attributable to finance income; approximately HK$366,984,000 is derived from the second largest customer for the year ended 31 December 2015, representing 31% of the Group's total revenue, and is attributable to revenue from power sales.

## 6 Expenses by nature

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

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Coal | **1,655** | 3,378 |
| Fuel | **811** | 2,248 |
| Maintenance cost | **48,587** | 29,153 |
| Environmental protection expenses | **85,364** | 57,764 |
| Auditors' remuneration | | |
| — Audit services | **2,977** | 2,880 |
| — Non-audit services | **375** | 893 |
| Employee benefit expenses (Note 9) | **113,743** | 84,980 |
| Share option expenses (Note 24(c)) | **–** | 5,834 |
| Depreciation and amortisation | | |
| — Land use rights (Note 15) | **3,619** | 3,843 |
| — Property, plant and equipment (Note 16) | **70,305** | 47,184 |
| — Intangible assets (Note 17) | **77,167** | 67,759 |
| Operating lease rentals | **8,816** | 7,238 |
| Construction cost recognised for construction of BOT projects (included in cost of sales) | **703,131** | 486,106 |

For the year ended 31 December 2016

## 7 Other income

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Value-added tax refund (Note (i)) | **39,790** | 44,785 |
| Management income (Note (ii)) | **35,112** | – |
| Government grants | **533** | 595 |
| Others | **7,158** | 3,778 |
| | **82,593** | 49,158 |

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

(ii) Management income for the year ended 31 December 2016 is derived from a company whose directors consist of key management personnel from the Group.

## 8 Other (loss)/gain, net

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Exchange (loss)/gain, net | **(1,935)** | 4,602 |
| Gain/(loss) on disposals of property, plant and equipment | **309** | (277) |
| | **(1,626)** | 4,325 |

## 9 Employee benefit expenses

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Wages and salaries | **92,968** | 70,714 |
| Pension costs – defined contribution plans | **6,192** | 4,047 |
| Welfare and other expenses | **14,583** | 10,219 |
| Subtotal | **113,743** | 84,980 |
| Share option expenses (Note 24(c)) | **–** | 5,834 |
| Total | **113,743** | 90,814 |

For the year ended 31 December 2016

## 10 Benefits and interests of directors and chief executives

### (a) Directors' emoluments

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Employer's contribution to pension scheme HK$'000 | Subtotal HK$'000 | Share option expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | | | | |
| *Executive directors:* | | | | | | | |
| Ms. Lee Wing Yee Loretta | **–** | **1,950** | **–** | **18** | **1,968** | **–** | **1,968** |
| Mr. Lai Kin Man | **–** | **606** | **–** | **18** | **624** | **–** | **624** |
| Mr. Yuan Guozhen (Chief executive officer) | **–** | **1,507** | **720** | **45** | **2,272** | **–** | **2,272** |
| Mr. Lai Chun Tung | **–** | **3,131** | **1,039** | **18** | **4,188** | **–** | **4,188** |
| *Non-executive directors:* | | | | | | | |
| Mr. Lui Ting Cheong Alexander | **180** | **–** | **–** | **–** | **180** | **–** | **180** |
| Mr. Lai Yui | **180** | **–** | **–** | **–** | **180** | **–** | **180** |
| *Independent non-executive directors:* | | | | | | | |
| Professor Sha Zhenquan | **180** | **–** | **–** | **–** | **180** | **–** | **180** |
| Mr. Chan Kam Kwan Jason | **240** | **–** | **–** | **–** | **240** | **–** | **240** |
| Mr. Chung Wing Yin | **180** | **–** | **–** | **–** | **180** | **–** | **180** |
| | **960** | **7,194** | **1,759** | **99** | **10,012** | **–** | **10,012** |
| **Year ended 31 December 2015** | | | | | | | |
| *Executive directors:* | | | | | | | |
| Ms. Lee Wing Yee Loretta | – | 1,800 | 450 | 18 | 2,268 | 486 | 2,754 |
| Mr. Lai Kin Man | – | 604 | – | 18 | 622 | – | 622 |
| Mr. Yuan Guozhen (Chief executive officer) | – | 1,836 | 709 | 39 | 2,584 | 486 | 3,070 |
| Mr. Lai Chun Tung | – | 3,216 | 909 | 25 | 4,150 | 486 | 4,636 |
| *Non-executive directors:* | | | | | | | |
| Mr. Lui Ting Cheong Alexander | 180 | – | – | – | 180 | – | 180 |
| Mr. Lai Yui | 180 | – | – | – | 180 | – | 180 |
| *Independent non-executive directors:* | | | | | | | |
| Professor Sha Zhenquan | 180 | – | – | – | 180 | – | 180 |
| Mr. Chan Kam Kwan Jason | 240 | – | – | – | 240 | – | 240 |
| Mr. Chung Wing Yin | 180 | – | – | – | 180 | – | 180 |
| | 960 | 7,456 | 2,068 | 100 | 10,584 | 1,458 | 12,042 |

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: same).

For the year ended 31 December 2016

## 10 Benefits and interests of directors and chief executives *(Continued)*

### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2016 (2015: Nil).

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2016 (2015: Nil).

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

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

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

During the year ended 31 December 2016, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2015: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted as at 31 December 2016 or at any time during the year ended 31 December 2016 (2015: Nil).

For the year ended 31 December 2016

## 10 Benefits and interests of directors and chief executives *(Continued)*

### (g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2016 (2015: 3), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2016 (2015: 2) are as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Wages and salaries | **4,670** | 3,890 |
| Pension costs – defined contribution plans | **38** | 46 |
| Welfare and other expenses | **–** | 106 |
| Subtotal | **4,708** | 4,042 |
| Share option expenses (Note 24(c)) | **–** | 972 |
| Total | **4,708** | 5,014 |

The emoluments fell within the following bands:

| | **2016** | 2015 |
|---|---|---|
| HK$1,000,000 – HK$1,999,999 | **1** | – |
| HK$2,000,000 – HK$2,999,999 | **–** | 2 |
| HK$3,000,000 – HK$3,999,999 | **1** | – |

During the year ended 31 December 2016, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2015: same).

## 11 Interest income and expense

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Interest expense on bank borrowings | **(84,126)** | (80,136) |
| Imputed interest expenses on convertible loan (Note 26) | **(28,214)** | – |
| | **(112,340)** | (80,136) |
| Less: amount capitalised on qualifying assets | **23,435** | 16,865 |
| | **(88,905)** | (63,271) |
| Interest income from bank deposits | **4,426** | 11,897 |
| Interest expense, net | **(84,479)** | (51,374) |

Interest expense on bank borrowings were capitalised at the weighted average rate of its general borrowings of approximately 6%.

## 12 Income tax expense

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **Current income tax** | | |
| PRC enterprise income tax | **33,454** | 16,027 |
| Hong Kong profits tax | **–** | – |
| **Total current income tax** | **33,454** | 16,027 |
| **Deferred income tax** (Note 19) | **29,401** | 24,865 |
| **Income tax expense** | **62,855** | 40,892 |

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended 31 December 2016 and 2015. No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits for the year ended 31 December 2016 (2015: same).

## 12 Income tax expense *(Continued)*

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for each of the year ended 31 December 2016 and 2015 on the assessable profits arising in or derived from the PRC except the followings:

(i) Dongguan Kewei Environmental Power Company Limited ("Kewei") has obtained an approval for an enterprise income tax ("EIT") incentive that its project was fully exempted from the PRC EIT for three years starting from 2011 to 2013 followed by a 50% tax reduction for the ensuing three years from 2014 to 2016. Accordingly, the applicable tax rate for Kewei was 12.5% for the year ended 31 December 2016 (2015: 12.5%).

(ii) Dongguan China Scivest Environmental Power Company Limited ("China Scivest") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2013 to 2015, followed by a 50% tax reduction for the ensuing three years from 2016 to 2018. Accordingly, the applicable tax rate of China Scivest was 12.5% for the year ended 31 December 2016 (2015: 0%).

(iii) Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax reduction for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of Eco-Tech was 0% for the year ended 31 December 2016 (2015: 0%).

(iv) Zhanjiang Yuefeng Environmental Power Company Limited ("Zhanjiang Yuefeng") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2016 to 2018, followed by a 50% tax reduction for the ensuing three years from 2019 to 2021. Accordingly, the applicable tax rate of Zhanjiang Yuefeng reduction was 0% for the year ended 31 December 2016 (2015: 25%).

(v) Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax reduction for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of Xingyi Hongda was 0% for the year ended 31 December 2016.

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

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Profit before income tax | **462,873** | 329,787 |
| Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions | **120,548** | 86,028 |
| Tax effect of: | | |
| Income not taxable for tax purpose | **(989)** | (3,801) |
| Expenses not deductible for tax purpose | **15,300** | 19,460 |
| Preferential tax concession | **(72,004)** | (60,795) |
| Income tax expense | **62,855** | 40,892 |

The weighted average applicable tax rate was 13.6% for the year ended 31 December 2016 (2015: 12.4%).

## 13 Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2016** | 2015 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **400,018** | 272,001 |
| Weighted average number of ordinary shares in issue (thousand shares) | **2,020,766** | 2,000,000 |
| Basic earnings per share (HK cents) | **19.8** | 13.6 |

### (b) Diluted

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

The Company has two (2015: two) categories of dilutive potential ordinary share: share options and convertible loan (2015: the Over-allotment Option ("Over-allotment Option") and share options). For the Over-allotment Option, management has performed a calculation to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period from the 1 January 2015 to 16 January 2015 (date of Overallotment Option lapsed)) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. 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 Over-allotment Option and share options. The convertible loan has assumed to have been converted into ordinary shares, and the profit for the year has been adjusted to eliminate the interest expense of the convertible loan.

Diluted earnings per share for the year ended 31 December 2016 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options and convertible loan would have an anti-dilutive effect to the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the Over-allotment Option and share options would have an anti-dilutive effect to the basic earnings per share.

## 14 Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2016 are set out below:

| Company name | Country/place of incorporation/ establishment and kind of legal entity | Registered/ issued and paid-up capital | Percentage of equity interest attributable to the Company | Principal activities/ place of operation |
|---|---|---|---|---|
| *Directly owned:* | | | | |
| Yi Feng Development Limited 億豐發展有限公司 | British Virgin Islands ("BVI"), limited liability company | 100 ordinary shares of US$1 each | 100% | Investment holding/ Hong Kong |
| *Indirectly owned:* | | | | |
| World Honour International Limited 世興國際有限公司 | Hong Kong, limited liability company | 101 ordinary shares of HK$1 each | 100% | Investment holding/ Hong Kong |
| World Prosperous Investments Limited 世豐國際投資有限公司 | Hong Kong, limited liability company | 1 ordinary share of HK$1 each | 100% | Investment holding/ Hong Kong |
| Canvest Group Investments Limited 粵豐集團投資有限公司 | Hong Kong, limited liability company | 1 ordinary share of HK$1 each | 100% | Provision of human resources and administrative services/ Hong Kong |
| China Green Power Holdings Limited 中國綠色能源控股有限公司 | Hong Kong, limited liability company | 1 ordinary share of HK$1 each | 100% | Investment holding/ Hong Kong |
| Anabell Hong Kong Limited 安貝爾香港有限公司 | Hong Kong, limited liability company | 1 ordinary share of HK$1 each | 100% | Investment holding/ Hong Kong |
| Hong Tong Hai Investments Limited 泓通海投資有限公司 | Hong Kong, limited liability company | 2 ordinary shares of HK$1 each | 100% | Investment holding/ Hong Kong |
| Celestial Jade Limited ("Celestial Jade") 天翠有限公司 | BVI, limited liability company | 1 ordinary share of US$1 each | 100% | Investment holding/ Hong Kong |

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## 14 Subsidiaries *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2016 are set out below: *(Continued)*

| Company name | Country/place of incorporation/ establishment and kind of legal entity | Registered/ issued and paid-up capital | Percentage of equity interest attributable to the Company | Principal activities/ place of operation |
|---|---|---|---|---|
| *Indirectly owned: (Continued)* | | | | |
| Year Charm Limited 偉年有限公司 | Hong Kong, limited liability company | 1 ordinary share of HK$1 each | 100% | Investment holding/ Hong Kong |
| China Scivest (Cayman) Holdings Limited | Cayman Islands, limited liability company | 1 ordinary share of HK$1 each | 100% | Investment holding/ Hong Kong |
| Eco-Tech (Cayman) Holdings Limited | Cayman Islands, limited liability company | 101 ordinary shares of HK$1 each | 100% | Investment holding/ Hong Kong |
| Kewei (Cayman) Holdings Limited | Cayman Islands, limited liability company | 1 ordinary share of HK$1 each | 100% | Investment holding/ Hong Kong |
| Dongguan Eco-Tech Environmental Power Company Limited 東莞市科偉環保電力有限公司* | The PRC, limited liability company | RMB400,000,000/ RMB320,000,000 (Note (a)) | 100% | Provision of municipal solid waste ("MSW") handling services and operation and management of WTE plants/the PRC |
| Dongguan Kewei Environmental Power Company Limited 東莞科維環保投資有限公司 (formerly known as "東莞市科維環保電力有限公司")* | The PRC, limited liability company | RMB860,000,000/ RMB820,000,000 (Note (b)) | 100% | Provision of MSW handling services and operation and management of WTE plants and investment holding/the PRC |
| Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司* | The PRC, limited liability company | RMB110,000,000 (Note (c)) | 100% | Provision of MSW handling services and operation and management of WTE plants/the PRC |
| Zhanjiang Yuefeng Environmental Power Company Limited 湛江市粵豐環保電力有限公司* | The PRC, limited liability company | RMB150,000,000 | 100% | Provision of MSW handling services and operation and management of WTE plants/the PRC |
| Laibin Zhongke Environmental Power Company Limited ("Laibin Zhongke") 來賓中科環保電力有限公司* | The PRC, limited liability company | RMB191,500,000 | 100% | Provision of MSW handling services and operation and management of WTE plants/the PRC |

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## 14 Subsidiaries *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2016 are set out below: *(Continued)*

| Company name | Country/place of incorporation/ establishment and kind of legal entity | Registered/ issued and paid-up capital | Percentage of equity interest attributable to the Company | Principal activities/ place of operation |
|---|---|---|---|---|
| *Indirectly owned: (Continued)* | | | | |
| Dongguan City Yuejia Power Equipment Company Limited 東莞市粵佳電力設備有限公司* | The PRC, limited liability company | RMB71,500,000 | 100% | Investment holding/ the PRC |
| Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司* | The PRC, limited liability company | RMB53,000,000 | 100% | Provision of MSW handling service and operation and management of WTE plants/the PRC |
| Dongguan Yuefeng Corporate Consultancy Management Company Limited 東莞粵豐企業諮詢管理有限公司* | The PRC, limited liability company | RMB2,000,000 | 100% | Provision of consultancy services/the PRC |
| Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited 黔西南州興義市鴻大環保電力有限公司* | The PRC, limited liability company | RMB151,400,000 | 100% | Provision of MSW handling services and operation and management of WTE plants/the PRC |

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

Note (a): The paid-up capital of Eco-Tech was increased to RMB400,000,000 on 30 March 2017.

Note (b): The paid-up capital of Kewei was increased to RMB860,000,000 on 6 March 2017.

Note (c): The registered share capital of China Scivest was increased to RMB330,000,000 on 11 January 2017 and the paid-up capital was increased to RMB132,000,000 on 5 April 2017.

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## 15 Land use rights

| | HK$'000 |
|---|---|
| At 1 January 2015 | 167,087 |
| Amortisation | (3,843) |
| Currency translation differences | (9,602) |
| At 31 December 2015 | 153,642 |
| At 1 January 2016 | **153,642** |
| Amortisation | **(3,619)** |
| Currency translation differences | **(9,582)** |
| At 31 December 2016 | **140,441** |

The Group's land use rights included prepaid operating lease payments which are analysed as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Leases in the PRC | **43,623** | 47,727 |

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

Amortisation expense was charged in "cost of sales" in the consolidated statement of profit or loss.

As at 31 December 2016, certain of the Group's borrowings were secured by land use rights with carrying amount of HK$140,441,000 (2015: HK$153,642,000) (Note 25).

## 16 Property, plant and equipment

| | Buildings HK$'000 | Plant and machinery HK$'000 | Motor vehicles HK$'000 | Office and other equipment HK$'000 | CIP HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2015** | | | | | | |
| Cost | 183,900 | 358,441 | 12,370 | 7,080 | 100,675 | 662,466 |
| Accumulated depreciation | (34,386) | (90,400) | (5,337) | (2,071) | – | (132,194) |
| Net book amount | 149,514 | 268,041 | 7,033 | 5,009 | 100,675 | 530,272 |
| **Year ended 31 December 2015** | | | | | | |
| Opening net book amount | 149,514 | 268,041 | 7,033 | 5,009 | 100,675 | 530,272 |
| Additions | 881 | 23,553 | 4,014 | 7,734 | 497,531 | 533,713 |
| Acquisition of subsidiaries | 233 | 31 | 67 | 111 | 40 | 482 |
| Disposals | (701) | (1,336) | (38) | (74) | – | (2,149) |
| Transfer from CIP to property, plant and equipment | 251,322 | 331,616 | – | 69 | (583,007) | – |
| Depreciation | (12,358) | (30,448) | (2,426) | (1,952) | – | (47,184) |
| Currency translation differences | (18,467) | (28,808) | (236) | (377) | (2,257) | (50,145) |
| Closing net book amount | 370,424 | 562,649 | 8,414 | 10,520 | 12,982 | 964,989 |
| **As at 31 December 2015** | | | | | | |
| Cost | 414,647 | 674,987 | 17,293 | 14,932 | 12,982 | 1,134,841 |
| Accumulated depreciation | (44,223) | (112,338) | (8,879) | (4,412) | – | (169,852) |
| Net book amount | 370,424 | 562,649 | 8,414 | 10,520 | 12,982 | 964,989 |

## 16 Property, plant and equipment *(Continued)*

| | Buildings HK$'000 | Plant and machinery HK$'000 | Motor vehicles HK$'000 | Office and other equipment HK$'000 | CIP HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | | | |
| Opening net book amount | 370,424 | 562,649 | 8,414 | 10,520 | 12,982 | 964,989 |
| Additions | 24,862 | 3,190 | 6,311 | 2,137 | 343,751 | 380,251 |
| Acquisition of a subsidiary (Note 29) | – | – | 146 | 657 | – | 803 |
| Disposals | – | (20) | (26) | (14) | – | (60) |
| Depreciation | (19,766) | (44,253) | (2,783) | (3,503) | – | (70,305) |
| Currency translation differences | (23,722) | (33,842) | (267) | (448) | (15,688) | (73,967) |
| Closing net book amount | 351,798 | 487,724 | 11,795 | 9,349 | 341,045 | 1,201,711 |
| **As at 31 December 2016** | | | | | | |
| Cost | 412,096 | 635,200 | 22,660 | 16,882 | 341,045 | 1,427,883 |
| Accumulated depreciation | (60,298) | (147,476) | (10,865) | (7,533) | – | (226,172) |
| Net book amount | 351,798 | 487,724 | 11,795 | 9,349 | 341,045 | 1,201,711 |

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

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Cost of sales | 64,086 | 37,844 |
| General and administrative expenses | 6,219 | 9,340 |
| | 70,305 | 47,184 |

As at 31 December 2016, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK$235,173,000 (2015: HK$275,180,000) (Note 25).

## 17 Intangible assets

| | Goodwill<br>HK$'000 | Concession rights<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| **As at 1 January 2015** | | | |
| Cost | 180,281 | 1,155,912 | 1,336,193 |
| Accumulated amortisation | – | (65,530) | (65,530) |
| Net book amount | 180,281 | 1,090,382 | 1,270,663 |
| **Year ended 31 December 2015** | | | |
| Opening net book amount | 180,281 | 1,090,382 | 1,270,663 |
| Acquisition of subsidiaries | – | 500,452 | 500,452 |
| Additions from BOT arrangement | – | 303,136 | 303,136 |
| Amortisation | – | (67,759) | (67,759) |
| Currency translation differences | (10,529) | (81,309) | (91,838) |
| Closing net book amount | 169,752 | 1,744,902 | 1,914,654 |
| **As at 31 December 2015** | | | |
| Cost | 169,752 | 1,901,787 | 2,071,539 |
| Accumulated amortisation | – | (156,885) | (156,885) |
| Net book amount | 169,752 | 1,744,902 | 1,914,654 |
| **Year ended 31 December 2016** | | | |
| Opening net book amount | **169,752** | **1,744,902** | **1,914,654** |
| Acquisition of a subsidiary (Note 29) | **–** | **221,729** | **221,729** |
| Additions from BOT arrangement | **–** | **727,931** | **727,931** |
| Amortisation | **–** | **(77,167)** | **(77,167)** |
| Currency translation differences | **(10,766)** | **(145,940)** | **(156,706)** |
| Closing net book amount | **158,986** | **2,471,455** | **2,630,441** |
| **As at 31 December 2016** | | | |
| Cost | **158,986** | **2,692,128** | **2,851,114** |
| Accumulated amortisation | **–** | **(220,673)** | **(220,673)** |
| Net book amount | **158,986** | **2,471,455** | **2,630,441** |

Goodwill is mainly attributable to the acquisition of Eco-Tech in 2011.

## 17 Intangible assets *(Continued)*

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on the higher of fair value less costs to sell and value-in-use calculations. The calculation uses pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used is 9.5% for the year ended 31 December 2016 (2015: 9.5%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating units.

Concession rights are mainly attributable to the acquisition of China Scivest, Laibin Zhongke, Celestial Jade and Xingyi Hongda and allocation from the BOT arrangement of Zhanjiang Yuefeng, Laibin Zhongke and China Scivest, and amortisation expenses were charged to "cost of sales" in the consolidated statement of profit or loss. The remaining amortisation period of those concession rights ranged from 12 to 30 years.

As at 31 December 2016 and 2015, certain of the Group's borrowings were secured by the BOT arrangement entered by China Scivest, Laibin Zhongke and Xingyi Hongda with the local governments with carrying amount of HK$1,679,266,000 (2015: HK$990,222,000) (Note 25).

## 18 Gross amounts due from customers for contract work

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage WTE projects in the PRC for specific periods. The grantors guarantee that the Group will receive minimum annual payments under the service concession arrangement. Upon expiry of the concession periods, the WTE plants and the related facilities will be transferred to the local government authorities. Revenue relating to the construction service provided under service concession arrangements are recognised on gross amounts due from customers for contract work and intangible assets according to the accounting policies as set out in Note 2.21.

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Contract costs incurred plus recognised profits | **915,596** | 553,225 |
| Less : Billings | **(38,753)** | (3,604) |
| Net contract work | **876,843** | 549,621 |
| Representing: | | |
| Gross amounts due from customers for contract work | | |
| — Non-current | **820,862** | 511,595 |
| — Current | **55,981** | 38,026 |
| | **876,843** | 549,621 |

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

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## 19 Deferred income tax

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

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Deferred income tax liabilities | | |
| — to be settled within 12 months | **2,479** | 2,647 |
| — to be settled after more than 12 months | **249,170** | 206,726 |
| | **251,649** | 209,373 |

### Deferred income tax liabilities

| | **Revaluation of assets** HK$'000 |
|---|---|
| At 1 January 2015 | 104,442 |
| Acquisition of subsidiaries | 88,594 |
| Charged to the consolidated statement of profit or loss | 24,865 |
| Currency translation differences | (8,528) |
| At 31 December 2015 | 209,373 |
| At 1 January 2016 | **209,373** |
| Acquisition of a subsidiary (Note 29) | **28,419** |
| Charged to the consolidated statement of profit or loss | **29,401** |
| Currency translation differences | **(15,544)** |
| At 31 December 2016 | **251,649** |

Deferred income tax liabilities of approximately HK$55,603,000 as at 31 December 2016 (2015: HK$35,949,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

## 20 Inventories

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Coal, fuel and other materials for waste treatment | **761** | 472 |

The cost of inventories was recognised as expense and included in "cost of sales" amounted to HK$43,640,000 for the year ended 31 December 2016 (2015: HK$29,686,000).

## 21 Trade and bills receivables, other receivables, deposits and prepayments

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Deposits for investments | **228,060** | 62,067 |
| Prepayments for property, plant and equipment | **59,883** | 56,208 |
| Rental deposits | **1,617** | 1,617 |
| Other prepayments | **5,626** | – |
| | **295,186** | 119,892 |
| **Current assets** | | |
| Trade receivables | **110,980** | 86,578 |
| Bills receivables | **3,354** | – |
| Deposits and prepayments | **4,053** | 5,686 |
| Other receivables (Note) | **59,827** | 2,190 |
| Value-added tax recoverable | **75,427** | 64,497 |
| | **253,641** | 158,951 |
| | **548,827** | 278,843 |

Note: As at 31 December 2016, the balance mainly include receivables in relation to the management service income (Note 7) and from a company whose directors consist of key management personnel from the Group.

The credit period granted by the Group is generally 30 days. The ageing analysis of trade receivables based on invoice date was as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Up to 1 month | **33,841** | 43,532 |
| 1 to 3 months | **41,374** | 34,169 |
| 3 to 6 months | **25,943** | 7,691 |
| Over 6 months | **9,822** | 1,186 |
| | **110,980** | 86,578 |

For the year ended 31 December 2016

## 21 Trade and bills receivables, other receivables, deposits and prepayments *(Continued)*

As at 31 December 2016, trade receivables of HK$77,139,000 (2015: HK$43,046,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| 1 to 3 months | **41,374** | 34,169 |
| 3 to 6 months | **25,943** | 7,691 |
| Over 6 months | **9,822** | 1,186 |
| | **77,139** | 43,046 |

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

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| RMB | **545,608** | 274,567 |
| HK$ | **3,219** | 4,276 |
| | **548,827** | 278,843 |

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

## 22 Restricted deposits

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Restricted deposits, denominated in RMB | **42,927** | 156,560 |

Restricted deposits of HK$9,390,000 (2015: HK$7,162,000) represents deposits pledged for BOT service concession arrangements in relation to various WTE plants. Restricted deposit of HK$33,537,000 (2015: HK$149,398,000) represent deposit pledged for bank borrowings of the Group. The effective interest rate on restricted deposits is 0.35%–3.05% per annum (2015: 0.3%–0.35% per annum). Restricted deposits of HK$9,390,000 (2015: HK$156,560,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

For the year ended 31 December 2016

## 23 Cash and cash equivalents

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Cash at bank and on hand | **396,681** | 219,468 |
| Bank deposits | **222,272** | 229,668 |
| | **618,953** | 449,136 |

The weighted average effective interest rate on bank deposits of the Group was 0.4%, 6.7% and 0.4% for HK$, RMB and United States dollars ("US$") bank deposits respectively (2015: 0.2% and 6.6% for HK$ and RMB bank deposits) and these bank deposits had original maturity dates of three months or less.

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

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| HK$ | **328,198** | 239,017 |
| RMB | **282,817** | 191,414 |
| US$ | **7,938** | 18,705 |
| | **618,953** | 449,136 |

As at 31 December 2016, the Group's cash and cash equivalents balances of approximately HK$255,650,000 (2015: HK$181,594,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

## 24 Share capital, share premium and other reserves

### (a) Share capital and share premium

| | 2016 | 2015 |
|---|---|---|
| Authorised: | | |
| Number of ordinary shares | | |
| As at 1 January and 31 December | **5,000,000,000** | 5,000,000,000 |
| Equivalent nominal value of ordinary shares (HK$'000) | **50,000** | 50,000 |
| Issued and fully paid: | | |
| Number of ordinary shares | | |
| As at 1 January | **2,000,000,000** | 2,000,000,000 |
| Issue of new shares on 24 May 2016 (Note (i)) | **34,235,294** | – |
| As at 31 December | **2,034,235,294** | 2,000,000,000 |
| Equivalent nominal value of ordinary shares (HK$'000) | **20,342** | 20,000 |

Note:

(i) On 24 May 2016, an aggregate of 34,235,294 placing shares were issued at HK$3.4 each. Net proceeds amounted to HK$111,397,000.

For the year ended 31 December 2016

## 24 Share capital, share premium and other reserves *(Continued)*

### (b) Other reserves

#### *(i) Capital reserve*

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

On 30 June 2013, Mr. Lai Kin Man waived a payable balance of HK$297,422,000 due from the Group. This was recognised as a deemed capital contribution during the same period.

On 30 June 2014, Best Approach Developments Limited, the immediate holding company, waived a payable balance of HK$344,481,000 due from the Group. This was recognised as a deemed contribution during the same period.

#### *(ii) Statutory reserve*

Pursuant to the Articles of Association of Group's certain subsidiaries incorporated in the PRC, these subsidiaries transfer 10% of their net profit as determined in accordance with the Accounting Rules and Regulations of the PRC to their statutory reserve funds unless the statutory reserve balances of respective subsidiaries have reached 50% or more of their registered capital.

#### *(iii) Other reserve*

Other reserve represent a) difference between the fair value of consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries being acquired from non-controlling interest holders and b) equity portion of convertible loan (Note 26).

#### *(iv) Share option reserve*

The share option reserve comprises the fair value of unexercised share options granted to employees, officers or directors of the Company or any of its subsidiaries on the date of grant under the Company's Share Option Scheme.

### (c) Share options

On 24 April 2015, the board of the Company has granted share options to certain employees, officers and directors of the Company or any of its subsidiaries to subscribe for a total of 3,000,000 ordinary shares of the Company under the Share Option Scheme adopted on 7 December 2014. The acceptance of the grant of the share option can be made with a payment of HK$1 from the grantee. All share options granted were accepted. All share options granted under the Share Option Scheme are exercisable in whole or in part within 10 years from the date of grant. The details of the share options granted are as follows:

| | |
|---|---|
| – Number of share options granted | 3,000,000 |
| – Exercise price | HK$4.39 per share |
| – Share option life | 10 years |
| – Exercisable period | 24 April 2015 to 23 April 2025 |

No share option granted was exercised or lapsed during the year ended 31 December 2016 and 2015.

For the year ended 31 December 2016

## 25 Bank Borrowings

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Bank borrowings, secured | | |
| Non-current | **1,634,549** | 1,098,852 |
| Current | **276,837** | 321,043 |
| Total | **1,911,386** | 1,419,895 |

The repayment terms of the long-term bank borrowings are analysed as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Within 1 year | **276,837** | 321,043 |
| Between 1 and 2 years | **347,100** | 179,064 |
| Between 2 and 5 years | **798,074** | 668,285 |
| Over 5 years | **489,375** | 251,503 |
| | **1,911,386** | 1,419,895 |

Bank borrowings are secured by rights to collect revenue from power sales and waste handling services, land use rights (Note 15), property, plant and equipment (Note 16), intangible assets (Note 17), bank deposits (Note 22) and corporate guarantees (Note 31).

All of the Group's bank borrowings are denominated in RMB.

The effective interest rates of bank borrowings per annum at the balance sheet date were as follows:

| | **2016** **%** | 2015 % |
|---|---|---|
| Term loans – secured | **3.96–7.00** | 5.15-6.90 |

For the year ended 31 December 2016

## 26 Convertible loan

On 28 April 2016, International Finance Corporation ("IFC") disbursed the convertible loan in the aggregate principal amount of HK$465,012,000 to the Company. IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into fully paid ordinary shares with a par value of HK$0.01 each of the Company at any time after the date of the disbursement and prior to the maturity date. The initial conversion price is HK$3.91 per share, subject to customary adjustments as set forth in the convertible loan agreement. As at the date of approval for issue of these financial statements (i.e. 22 March 2017), the adjusted conversion price is HK$3.89 per share. As at 28 March 2017, the conversion price is subsequently adjusted to HK$3.84 per share.

The total net proceeds of the convertible loan of HK$457,658,000, after deducting related expenses, has been received by the Group.

The major terms and conditions of the convertible loan are as follows:

### (i) Interest rate

The outstanding principal of the convertible loan bears interest at a rate of 2% per annum.

### (ii) Conversion price

The conversion price is initially HK$3.91 per share, subject to customary adjustments as set forth in the convertible loan agreement. As at the date of approval for issue of these financial statements (i.e. 22 March 2017), the adjusted conversion price is HK$3.89 per share. As at 28 March 2017, the conversion price is subsequently adjusted to HK$3.84 per share.

### (iii) Maturity date

The maturity date of the convertible loan is 27 April 2021.

### (iv) Repayment

The outstanding principal amount of the convertible loan shall be repaid on the maturity date, together with the make whole premium (if any).

Make whole premium is calculated by IFC, which would yield a minimum internal rate of return for IFC on the principal amount of the convertible loan repaid or prepaid of 7% per annum, calculated from the date of the disbursement and ending on the date of such repayment.

## 26 Convertible loan *(Continued)*

The convertible loan was recognised as a equity component and a debt component as follows:

— equity component, comprise the fair value of the option of IFC to convert the convertible loan into ordinary shares of the Company at the conversion price at any time before the maturity.

— debt component initially recognised at its fair value, and is subsequently carried at amortised cost.

The movements of the convertible loan are set out below:

| | Debt component HK$'000 | Equity component HK$'000 | Total HK$'000 |
|---|---|---|---|
| **For the year ended 31 December 2016** | | | |
| Convertible loan disbursed on 28 April 2016 | 385,688 | 71,970 | 457,658 |
| Imputed interest expense | 28,214 | – | 28,214 |
| Interest paid | (5,967) | – | (5,967) |
| As at 31 December 2016 | 407,935 | 71,970 | 479,905 |

There was no conversion of the convertible loan from 28 April 2016 (date of disbursement) to 31 December 2016. As at 12 April 2017, IFC converted all outstanding principal amount of convertible loan of HK$465,012,000 into 121,096,875 ordinary shares.

## 27 Trade and other payables

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Non-current liabilities | | |
| Other payables (Note) | **145,333** | 37,300 |
| Current liabilities | | |
| Trade payables | **64,476** | 49,642 |
| Accruals and other payables (Note) | **503,976** | 411,361 |
| | **568,452** | 461,003 |
| | **713,785** | 498,303 |

Note: The balances mainly include accrued staff costs and other staff benefits, construction payables and VAT payables.

For the year ended 31 December 2016

## 27 Trade and other payables *(Continued)*

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

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Up to 1 month | **37,672** | 34,192 |
| 1 to 2 months | **13,376** | 2,914 |
| 2 to 3 months | **2,720** | 3,187 |
| Over 3 months | **10,708** | 9,349 |
| | **64,476** | 49,642 |

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| RMB | **706,124** | 490,116 |
| HK$ | **7,661** | 8,187 |
| | **713,785** | 498,303 |

## 28 Dividend

The Board has proposed the payment of a final dividend of HK1.6 cents per ordinary share for the year ended 31 December 2016 (2015: Nil), totaling to HK$32,548,000 (2015: Nil). The amount of final dividend declared was calculated based on the number of ordinary shares in issue (i.e. 2,034,235,294 shares) at the date of approval for issue of these financial statements (i.e. 22 March 2017).

Subject to the terms and conditions set out in the subscription agreement as disclosed in the announcement of the Company dated 17 February 2017 (the "Subscription"), an aggregate of 300,000,000 new ordinary shares have been issued upon completion of the Subscription on 28 March 2017. As at 12 April 2017, IFC converted all outstanding principal amount of convertible loan of HK$465,012,000 into 121,096,875 ordinary shares (the "Conversion"). The Company's number of issued shares has been increased up to 2,455,332,169 shares. Since the Subscription and Conversion completed before the record date for determining the entitlement of the aforesaid final dividend, the holders of the Subscription and Conversion shares will be entitled to the final dividend, and that the final dividend will be HK1.6 cents per ordinary share of the Company, totaling up to approximately HK$39,285,000 based on the number of issued shares of the Company after completion of the Subscription and Conversion (which is 2,455,332,169 shares).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 16 June 2017, the proposed final dividend are expected to be paid on Friday, 7 July 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2017.

For the year ended 31 December 2016

## 28 Dividend *(Continued)*

The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2016.

During the year ended 31 December 2016, the Company has declared an interim dividend of HK1.1 cents per ordinary share (2015: Nil), totaling to HK$22,377,000 (2015: Nil).

## 29 Business combinations

### (a) Acquisition of Xingyi Hongda

On 26 January 2016, Kewei entered into sale and purchase agreements with two individual third parties, to acquire 100% equity interest in Xingyi Hongda at a total consideration of RMB110,000,000 (equivalent to HK$130,900,000). Xingyi Hongda operates a WTE plant in Xingyi City, Guizhou Province based on a BOT contract. This transaction has been effectively completed on 31 August 2016. As a result of the acquisition, Xingyi Hongda became a wholly owned subsidiary of the Group. As a result of the acquisition, the Group is expected to increase its presence in the market outside Guangdong Province.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, liabilities assumed at the acquisition date.

| | As at 31 August 2016 HK$'000 |
|---|---|
| **Consideration:** | |
| — Payables to acquire 100% equity interest in Xingyi Hongda | 126,810 |
| **Total consideration transferred** | 126,810 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 20,135 |
| Intangible assets — concession rights (Note 17) | 221,729 |
| Gross amount due from a customer for contract work | 265,293 |
| Property, plant and equipment (Note 16) | 803 |
| Inventories | 56 |
| Trade receivables | 20,927 |
| Deposits, prepayments and other receivables | 13,638 |
| Trade and other payables | (179,913) |
| Borrowings | (207,439) |
| Deferred income tax liabilities (Note 19) | (28,419) |
| **Total identifiable net assets** | 126,810 |

For the year ended 31 December 2016

## 29 Business combinations *(Continued)*

### (a) Acquisition of Xingyi Hongda *(Continued)*

Acquisition-related costs of HK$287,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

The net cash outflow from acquisition of Xingyi Hongda approximated HK$28,970,000 during the year ended 31 December 2016, which mainly comprised of cash consideration of RMB42,000,000 (equivalent to HK$49,105,000 at the date of payment) offset by cash and cash equivalent of HK$20,135,000 acquired from Xingyi Hongda.

The fair value of trade receivables is HK$20,927,000. The gross contractual amount for trade receivables due is HK$20,927,000, none of which is expected to be uncollectible.

The revenue included in the consolidated statement of profit or loss for the period from 31 August 2016 to 31 December 2016 contributed by Xingyi Hongda was HK$101,183,000, Xingyi Hongda also contributed profit of HK$16,388,000 over the same period.

Had Xingyi Hongda been consolidated from 1 January 2016, the consolidated statement of profit or loss of the Group would show pro-forma revenue of HK$1,677,179,000 and profit of HK$402,291,000 for the year ended 31 December 2016.

## 30 Commitments

### (a) Capital commitments

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Authorised but not contracted to: | | |
| Property, plant and equipment | **46,305** | 559,847 |
| Construction cost for BOT | **641,024** | 666,023 |
| | **687,329** | 1,225,870 |
| Contracted but not provided for: | | |
| Property, plant and equipment | **328,658** | 211,338 |
| Construction cost for BOT | **825,280** | 136,887 |
| | **1,153,938** | 348,225 |

For the year ended 31 December 2016

## 30 Commitments *(Continued)*

### (b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Within 1 year | **7,484** | 6,610 |
| After 1 year but within 5 years | **1,953** | 7,617 |
| After 5 years | **143** | – |
| | **9,580** | 14,227 |

## 31 Financial guarantees

As at 31 December 2016, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 25) amounting to HK$1,160,291,000 (2015: HK$596,609,000).

As at 31 December 2016 and 2015, the Group had no other contingent liabilities.

## 32 Related party transactions

Major related parties that had transactions with the Group were as follows:

| **Related parties** | **Relationship with the Company** |
|---|---|
| Dongguan Yuexin Construction Co. Ltd. 東莞市粵星建造有限公司 ("Dongguan Yuexin") | A company controlled by Mr. Lai Chun Tung, the Executive Director of the Company |

### (a) Transactions with related parties

During the year ended 31 December 2016, the Group paid rental and related expenses of HK$2,105,000 for office to Dongguan Yuexin as agreed by both parties (2015: HK$1,021,000).

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the years ended 31 December 2016 and 2015.

For the year ended 31 December 2016

## 32 Related party transactions *(Continued)*

### (b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Wages and salaries | **19,497** | 22,083 |
| Pension costs – defined contribution plans | **272** | 345 |
| Welfare and other expenses | **1,156** | 2,021 |
| Subtotal | **20,925** | 24,449 |
| Share option expenses (Note 24(c)) | **–** | 3,889 |
| Total | **20,925** | 28,338 |

## 33 Events after the balance sheet date

(i) In January 2017, the Group entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST Private Equity Fund Management (GuangDong) Co., Ltd. and Guangdong Finance Investment International Co., Limited (collectively referred as "Utrust Partners"). Pursuant to the agreement, (I) Utrust Partners shall assist the Company in business expansion and sourcing of new projects, and fully support the Company in obtaining WTE projects in Guangdong Province, with the form of collaboration not limited to signing strategic cooperation agreements or memorandums of cooperation with local government authorities within Guangdong Province and other relevant parties; (II) Utrust Partners shall give full support to the Group's business development, including the coordination of relevant policy funds (including but not limited to relevant funds for public-private partnerships projects and Guangdong silk road fund, etc.) under the entrusted management of Utrust Investment Holdings Limited and its companies and the provision of funding support to the projects of the Group to the extent that the project is consistent with the investment direction of such funds; and (III) the Company intends to establish an industrial fund for clean environmental projects jointly with Utrust Partners to give full support for the technological upgrade projects and business development of the Group.

(ii) In February 2017, the Company and True Victor Holdings Limited entered into the subscription agreement, pursuant to which the Company conditionally agreed to issue and True Victor Holdings Limited conditionally agreed to subscribe, 300,000,000 ordinary shares at the subscription price of HK$3.5 per share. The net proceeds from the subscription will amount to approximately HK$1,018,100,000. The transaction has completed as at 28 March 2017.

(iii) In March 2017, the Group was awarded the BOT concession right in relation to the WTE plant located in Xinyi City, Guangdong Province by Bureau of Housing, Urban and Rural Planning and Construction of Xinyi Municipality. A framework agreement was entered in this regard.

(iv) On 3 April 2017, the Company has received a conversion notice from IFC to exercise the conversion rights attaching to outstanding convertible loan in the aggregate principal amount of HK$465,012,000. Accordingly, the Company has allotted and issued an aggregate of 121,096,875 ordinary shares to IFC at the conversion price of HK$3.84 per share as at 12 April 2017. There are no outstanding convertible loan immediately after the conversion. Total number of issued shares of the Company immediately after the completion of conversion is 2,455,332,169 ordinary shares.

For the year ended 31 December 2016

## 34 Balance sheet and reserve movement of the Company

### Balance sheet of the Company

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | **2,468,666** | 2,042,494 |
| **Current assets** | | |
| Prepayment and other receivables | **1,157** | 391 |
| Restricted deposits | **33,537** | – |
| Cash and cash equivalents | **356,400** | 248,464 |
| | **391,094** | 248,855 |
| **Total assets** | **2,859,760** | 2,291,349 |
| **EQUITY** | | |
| **Equity attributable to equity holders of the Company** | | |
| Share capital | **20,342** | 20,000 |
| Share premium (Note a) | **1,195,835** | 1,084,780 |
| Other reserves (Note a) | **1,133,329** | 1,061,359 |
| Retained earnings (Note a) | **97,242** | 109,840 |
| **Total equity** | **2,446,748** | 2,275,979 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Convertible loan | **407,935** | – |
| **Current liabilities** | | |
| Other payables | **2,862** | 3,456 |
| Amounts due to subsidiaries | **2,215** | 11,914 |
| | **5,077** | 15,370 |
| **Total liabilities** | **413,012** | 15,370 |
| **Total equity and liabilities** | **2,859,760** | 2,291,349 |
| **Net current assets** | **386,017** | 233,485 |
| **Total assets less current liabilities** | **2,854,683** | 2,275,979 |

The balance sheet of the Company was approved by the Board of Directors on 22 March 2017 and was signed on its behalf.

**Lee Wing Yee Loretta**
*Director*

**Lai Chun Tung**
*Director*

For the year ended 31 December 2016

## 34 Balance sheet and reserve movement of the Company *(Continued)*

### Balance sheet of the Company *(Continued)*

Note a:

| | Share premium HK$'000 | Capital reserve HK$'000 | Share option reserve HK$'000 | Other reserve HK$'000 | Retained earnings/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2015 | 1,084,780 | 1,055,525 | – | – | (28,672) | 2,111,633 |
| Employees share option scheme | | | | | | |
| – value of employee services (Note 24(c)) | – | – | 5,834 | – | – | 5,834 |
| Profit for the year | – | – | – | – | 138,512 | 138,512 |
| Balance at 31 December 2015 | 1,084,780 | 1,055,525 | 5,834 | – | 109,840 | 2,255,979 |
| **Balance at 1 January 2016** | **1,084,780** | **1,055,525** | **5,834** | **–** | **109,840** | **2,255,979** |
| Issuance of shares through placement (Note 24(a)) | **111,055** | **–** | **–** | **–** | **–** | **111,055** |
| Issuance of convertible loan (Note 26) | **–** | **–** | **–** | **71,970** | **–** | **71,970** |
| Interim divided declared and paid (Note 28) | **–** | **–** | **–** | **–** | **(22,377)** | **(22,377)** |
| Profit for the year | **–** | **–** | **–** | **–** | **9,779** | **9,779** |
| **Balance at 31 December 2016** | **1,195,835** | **1,055,525** | **5,834** | **71,970** | **97,242** | **2,426,406** |

Note (i): The capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Company for the acquisition of subsidiaries pursuant to the reorganisation completed in 2014.

# FINANCIAL SUMMARY

## Consolidated Assets, Equity and Liabilities

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **ASSETS** | | | | | |
| Non-current assets | **5,088,641** | 3,664,772 | 2,201,062 | 851,322 | 849,418 |
| Current assets | **972,263** | 803,145 | 1,566,354 | 389,276 | 139,282 |
| **Total assets** | **6,060,904** | 4,467,917 | 3,767,416 | 1,240,598 | 988,700 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Total equity** | **2,723,043** | 2,334,401 | 2,417,964 | 761,800 | 228,853 |
| Non-current liabilities | **2,479,209** | 1,348,289 | 881,939 | 324,464 | 367,066 |
| Current liabilities | **858,652** | 785,227 | 467,513 | 154,334 | 392,781 |
| **Total liabilities** | **3,337,861** | 2,133,516 | 1,349,452 | 478,798 | 759,847 |
| **Total equity and liabilities** | **6,060,904** | 4,467,917 | 3,767,416 | 1,240,598 | 988,700 |

FINANCIAL SUMMARY

## Consolidated Statement of Profit or Loss

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **1,653,552** | 1,184,536 | 793,967 | 390,173 | 387,134 |
| Cost of sales | **(1,064,263)** | (745,212) | (451,646) | (187,537) | (180,367) |
| **Gross profit** | **589,289** | 439,324 | 342,321 | 202,636 | 206,767 |
| General and administrative expenses | **(122,904)** | (111,646) | (96,723) | (41,739) | (35,147) |
| Other income | **82,593** | 49,158 | 51,467 | 14,039 | 13,698 |
| Other (loss)/gain, net | **(1,626)** | 4,325 | 381 | (725) | (808) |
| **Operating profit** | **547,352** | 381,161 | 297,446 | 174,211 | 184,510 |
| Interest income | **4,426** | 11,897 | 5,525 | 908 | 264 |
| Interest expense | **(88,905)** | (63,271) | (67,334) | (26,769) | (31,839) |
| **Profit before income tax** | **462,873** | 329,787 | 235,637 | 148,350 | 152,935 |
| Income tax expenses | **(62,855)** | (40,892) | (27,278) | (17,381) | (26,395) |
| **Profit for the year** | **400,018** | 288,895 | 208,359 | 130,969 | 126,540 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | **400,018** | 272,001 | 191,038 | 130,969 | 126,540 |
| Non-controlling interests | **–** | 16,894 | 17,321 | – | – |
| **Earnings per share** (expressed in HK cents per share) | | | | | |
| — Basic (note) | **19.8** | 13.6 | 12.7 | 8.7 | 8.4 |
| — Diluted | **19.8** | 13.6 | 12.7 | N/A | N/A |

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2014, 2013 and 2012 have been retrospectively adjusted to reflect 1,152,380 shares and 1,498,847,619 shares issued upon the reorganisation completed on 19 May 2014 and capitalisation completed on 29 December 2014, respectively.

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Ms. Lee Wing Yee Loretta
(Chairlady and Executive Director)
Mr. Lai Kin Man
(Deputy Chairman and Executive Director)
Mr. Yuan Guozhen
(Chief Executive Officer and Executive Director)
Mr. Lai Chun Tung (Executive Director)

### Non-Executive Directors

Mr. Feng Jun (appointed on 31 March 2017)
Mr. Lui Ting Cheong Alexander
Mr. Lai Yui

### Independent Non-executive Directors

Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin
Mr. Chung Kwok Nam (appointed on 31 March 2017)

## Board Committees

### Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Professor Sha Zhenquan
Mr. Chung Wing Yin

### Remuneration Committee

Professor Sha Zhenquan (Chairperson)
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin

### Nomination Committee

Mr. Chung Wing Yin (Chairperson)
Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason

### Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Ms. Lee Wing Yee Loretta
Professor Sha Zhenquan
Mr. Chung Wing Yin

## Company Secretary

Ms. Wong Ling Fong Lisa *(HKICPA)*

## Authorised Representatives

Ms. Lee Wing Yee Loretta
Ms. Wong Ling Fong Lisa

## Auditors

PricewaterhouseCoopers

## Legal Advisors

*as to Hong Kong law:*
King & Wood Mallesons

*as to PRC law:*
King & Wood Mallesons
Jingtian & Gongcheng

*as to BVI and Cayman Islands law:*
Maples and Calder

## Principal Bankers

Dongguan Rural Commercial Bank Co. Ltd.
The Hong Kong and Shanghai Banking
Corporation Limited

## Registered Office

PO Box 309, Ugland House
Grand Cayman, KY1-1104,
Cayman Islands

# CORPORATE INFORMATION

## Principal Place of Business in Hong Kong

Unit 6803B, 68/F.,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong

## Principal Place of Business in PRC

Level 24,
Canvest Tower,
2 San Yuan Road,
Nan Cheng District, Dongguan City
Guangdong, PRC

## Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman Limited)
PO Box 1093, Boundary Hall,
Cricket Square, Grand Cayman,
KY1-1102, Cayman Islands

## Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Investor Relations

| | | |
|---|---|---|
| E-mail | : | info@canvest.com.hk |
| Telephone | : | (852) 2668 6596 |
| Facsimile | : | (852) 2668 6597 |

## Website

www.canvestenvironment.com

## Listing Information

### Equity Securities Listing

The Company's ordinary shares are listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 1381) and it has been selected as one of the eligible stocks included in Southbound trading through Shenzhen-Hong Kong Stock Connect.

## Annual General Meeting

The 2017 AGM will be held on Friday, 16 June 2017. Notice of 2017 AGM is set out in the Company's circular and is dispatched together with this annual report to the Shareholders. Notice of 2017 AGM and the proxy form are published on Canvest's website (www.canvestenvironment.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

## Closure of Register of Members

### To determine the identity of shareholders who are entitled to attend and vote at the 2017 AGM

| | | |
|---|---|---|
| Latest time for lodging transfer documents of shares | : | 4:30 p.m. on Monday, 12 June 2017 |
| Period of closure of register of members | : | Tuesday, 13 June 2017 to Friday, 16 June 2017 (both dates inclusive) |

### To determine the shareholders' entitlement to the final dividend

| | | |
|---|---|---|
| Ex-entitlement date for final dividend | : | Wednesday, 21 June 2017 |
| Latest time for lodging transfer documents of shares | : | 4:30 p.m. on Thursday, 22 June 2017 |
| Period of closure of register of members | : | Friday, 23 June 2017 to Tuesday, 27 June 2017 (both dates inclusive) |
| Record date | : | Tuesday, 27 June 2017 |

To qualify for attending and voting at the 2017 AGM and/or entitlement to the final dividend, all properly completed transfer forms accompanied by the share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the corresponding latest time for lodging transfer documents of shares.

## Despatch of Corporate Communications

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also published on Canvest's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk).

For environment protection reasons, the Company encourages Shareholders to view the contents of this annual report posted on the aforesaid websites.

# GLOSSARY

| | |
|---|---|
| AGM | Annual general meeting |
| Beiliu | Beiliu Yuefeng Environmental Power Company Limited (北流粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 3 June 2016 and a 80% indirectly owned subsidiary of the Company |
| Best Approach | Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company |
| Board | the board of Directors |
| BOC & UTRUST | BOC & UTRUST Private Equity Fund Management (Guangdong) Co., Ltd. (中銀粵財股權投資基金管理(廣東)有限公司), a company established in the PRC with limited liability |
| BOO | build-own-operate, a project model in which a private entity builds, owns and operates their facilities and assets with no obligation to transfer their ownership of their relevant facilities and assets to any specified parties at any specified time |
| BOT | build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates |
| BVI | the British Virgin Islands |
| Canvest Consultancy | Dongguan Canvest Enterprise Consultancy and Management Company Limited (東莞市粵豐企業諮詢管理有限公司), a company established under the laws of the PRC with limited liability on 10 April 2014 and an indirect wholly owned subsidiary of the Company |
| Canvest or the Company | Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group |
| Cash generated from operating projects* | Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangement |
| Celestial Jade | Celestial Jade Limited (天翠有限公司), a company incorporated in BVI with limited liability and became an indirectly wholly owned subsidiary of the Company since 24 August 2015 |

# GLOSSARY

| | |
|---|---|
| Century Rise | Century Rise Development Limited (誠朗發展有限公司), a company incorporated under the laws of BVI on 6 January 2012 with limited liability and a controlling shareholder of the Company |
| China or PRC | the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan |
| China Scivest | Dongguan China Scivest Environmental Power Company Limited (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 5 November 2004 and an indirect wholly owned subsidiary of the Company |
| CG Code | Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules |
| Counterparties | Zhongshan Guangye and 4 related parties of Zhongshan Guangye |
| Director(s) | director(s) of the Company |
| Dongguan Municipal Administration | 東莞市城市綜合管理局, formerly known as Dongguan Municipal Utilities Administration (東莞市市政公用事業管理局), a government department under the Dongguan People's Government responsible for municipal management, and an Independent Third Party |
| EBITDA* | Earnings before interest expense, income tax expense, depreciation and amortisation |
| Eco-Tech | Dongguan Eco-Tech Environmental Power Company Limited (東莞市科偉環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 June 2003 and an indirect wholly owned subsidiary of the Company |
| Euromonitor Report | the report entitled "Waste to Energy Market in Mainland China" issued by Euromonitor International Limited |
| Group | the Company and its subsidiaries |
| Harvest VISTA Trust | The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries |
| Hong Kong | Hong Kong Special Administrative Region of the PRC |
| Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |

# GLOSSARY

| | |
|---|---|
| HK$ | Hong Kong dollar(s), the lawful currency of Hong Kong |
| IFC | International Finance Corporation, an international organisation established by Articles of Agreement among its member countries |
| 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 |
| Kewei | Dongguan Kewei Environmental Power Company Limited (東莞科維環保投資有限公司) (formerly known as 東莞市科維環保電力有限公司), a company established under the laws of the PRC with limited liability on 13 February 2009 and an indirect wholly owned subsidiary of the Company |
| kWh | kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour |
| Laibin | Laibin Zhongke Environmental Power Company Limited (來賓中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 January 2005 and an indirect wholly owned subsidiary of the Company |
| Listing Rules | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| 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 |
| Lufeng | Lufeng Yuefeng Environmental Power Company Limited (陸豐粵豐環保電力有限公司), a company established under the laws of the PRC on 21 November 2016 with limited liability and an indirect wholly owned subsidiary of the Company |
| Main Board | the Main Board of the Hong Kong Stock Exchange |
| Mr. CT Lai | Mr. Lai Chun Tung (黎俊東), an executive Director |
| Mr. KM Lai | Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and our deputy chairman |
| Ms. Loretta Lee | Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady of our Company |

# GLOSSARY

| | |
|---|---|
| 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. |
| RMB | Renminbi, the lawful currency of PRC |
| SFO | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Share(s) | ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company |
| Shareholder(s) | holders of Shares |
| SIHL | Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) |
| True Victor | True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL |
| Utrust International | Guangdong Finance Investment International Co., Limited (粵財控股香港國際有限公司), a company incorporated under the laws of Hong Kong with limited liability |
| Utrust Holdings | Utrust Investment Holdings Limited (廣東粵財投資控股有限公司), a company established in the PRC with limited liability |
| Utrust Partners | BOC & UTRUST and Utrust International |
| VAT | Value-added tax |
| VISTA Co | Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust |
| Wise Power | Wise Power Investment Limited, a private company limited by shares incorporated under the laws of Cayman Islands with limited liability and is a wholly owned subsidiary of China Infrastructure Partners, L.P. and is a Pre-IPO Investor |

# GLOSSARY

| | |
|---|---|
| WTE | waste-to-energy, the process of generating electricity from the incineration of waste |
| Xingyi | Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited (黔西南州興義市鴻大環保電力有限公司), a company established under the laws of the PRC with limited liability on 12 January 2012 and became an indirect wholly owned subsidiary of the Company since 2016 |
| Yi Feng | Yi Feng Development Limited, a company incorporated in BVI with limited liability and a wholly owned subsidiary of the Company |
| Zhanjiang | Zhanjiang Yuefeng Environmental Power Company Limited (湛江市粵豐環保電力有限公司), a company established under the laws of the PRC on 3 April 2013 with limited liability and an indirectly wholly owned subsidiary of the Company |
| Zhongshan Guangye | Zhongshan City Guangye Longcheng Environmental Company Limited (中山市廣業龍澄環保有限公司), a company established in the PRC with limited liability |
| % | 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 the inclusion of non-HKFRS measures provides consistency in our financial reporting.