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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

Financial Highlights

	For the six months ended 30 June		
	2017	2016	Change
Revenue *(HK$'000)*	**1,158,013**	670,039	+72.8%
Included: Revenue from power sales and waste treatment *(HK$'000)*	**444,211**	375,470	+18.3%
Gross profit *(HK$'000)*	**351,874**	247,575	+42.1%
EBITDA *(HK$'000)*	**398,988**	286,964	+39.0%
Profit for the period *(HK$'000)*	**226,135**	153,843	+47.0%
Profit attributable to equity holders of the Company *(HK$'000)*	**226,135**	153,843	+47.0%
Basic earnings per share *(HK cents)*	**10.1**	7.7	+31.2%
Interim dividend per share *(HK cents)*	**1.3**	1.1	+18.2%
Cash generated from operating projects *(HK$'000)*(1)	**282,077**	193,251	+46.0%

Note:

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

Operational Highlights

- During the period under review, the Group implemented innocuous treatment of waste volume amounted to 1,482,607 tonnes. The Group generated 608,226,000 kWh from green energy, saving 211,805 tonnes of standard coal and emission reduction of carbon dioxide amounted to 528,030 tonnes.

- During the period under review, Eco-Tech II WTE plant and phase 2 of Xingyi WTE plant had commenced operation, and Zhongshan WTE plant (project operated under management agreement) is under testing stage.

- In January 2017, the Company entered into a non-legally binding strategic cooperation agreement with BOC & UTRUST and Utrust International.

- In February 2017, the Company and True Victor, a wholly-owned subsidiary of SIHL, entered into the subscription agreement, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe, 300,000,000 subscription Shares at the subscription price of HK$3.5 per subscription Share. Completion took place in March 2017.

- In March 2017, Kewei was conditionally awarded the BOT concession right in relation to the Xinyi WTE plant. A framework agreement has been entered in this regard.

- In April 2017, IFC exercised the conversion rights attached to the outstanding convertible loan and the Company has allotted and issued an aggregate of 121,096,875 conversion Shares to IFC at the conversion price of HK$3.84 per conversion Share.

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2017. The condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's independent auditor, PricewaterhouseCoopers.

CHAIRLADY'S STATEMENT

To all honorable shareholders,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory interim results of the Group for the six months ended 30 June 2017 (the "**Period**").

In the first half of 2017, China continued to have stable economic growth, and green development remained one of the key subjects. Echoing the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), green, circular, and lower-carbon development is a clear direction for the Central Government. Specific environmental protection policies were released to ensure the healthy development of the market. The "Plan for non-hazardous waste treatment facilities under the 13th FYP" ("十三五"全國城鎮生活垃圾無害化處理設施建設規劃") was promulgated at the end of 2016, which layout the target national WTE penetration rate to about 54% by 2020, a significant increase from the 31% penetration rate as of the end of 2015. Of all the provinces which need to increase processing capacity, Guangdong Province, which is Canvest's base and major market, ranks the highest and accounts for about 15.4% of the national target.

To capture the above-mentioned opportunities and increase our market share, the Group has, on the one hand, formed a strategic partnership with BOC & UTRUST and Utrust International, the parent company of Utrust International, Utrust Holdings is a company directly under the People's Government of Guangdong Province and is managed and supported by the Department of Finance of Guangdong Province; and on the other hand, allotted and issued 300 million new Shares to True Victor, an indirect wholly-owned subsidiary of SIHL, making SIHL our second largest Shareholder. With the market reach, resources, and support by both Utrust Holdings and SIHL, we are well-positioned to increase our market share in the Guangdong Province and strategically set to expand our business on a national basis.

In April 2017, IFC has exercised its conversion rights to convert its outstanding convertible loan of HK$465,012,000 into 121,096,875 Shares at HK$3.84 per Share, translating into a 4.9% shareholding in Canvest. This demonstrated IFC's confidence in the management of Canvest, and also the long-term business prospects of our Company.

In addition, our existing Shareholder, AEP, a substantial Shareholder of the Company, increased their shareholdings to 5.6% of the total issued share capital of the Company during the Period. The continued support from our existing shareholders are clear votes of confidence in Canvest's capability, achievement and prospects.

Financial Performance

During the first half of 2017, the Group's revenue increased by 72.8% year-on-year to HK$1,158.0 million, and the profit attributable to equity holders of the Company increased by 47.0% year-on-year to HK$226.1 million. The increase was mainly attributable to the increase in construction revenue arising from additional projects under construction.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board declared an interim dividend of HK1.3 cents per ordinary share (corresponding period in 2016: HK1.1 cents).

Business Review

In March 2017, the Group secured the Xinyi WTE plant in Maoming with a daily MSW processing capacity of 750 tonnes, which further strengthened our position in the Guangdong Province. Based on increasing service demand and satisfactory performance of phase 1 of Xingyi project, phase 2 of Xingyi project received approval from the Guizhou Development and Reform Commission for 500 tonnes daily MSW processing capacity, an extra 150 tonnes processing capacity from the original BOT contract amount. Furthermore, Eco-Tech II WTE plant and phase 2 of Xingyi WTE plant had commenced operation, and Zhongshan WTE plant (operated under management agreement) is under testing stage in the first half of 2017. With strong business development capabilities, our total number of projects on hand has increased from 4 at the time of listing to 13 as of today, and the corresponding total operating, secured, announced and managed daily MSW processing capacity has increased from 6,900 tonnes to 19,240 tonnes.

Outlook

Going forward, we expect there will be more policy support on the optimization and advancement of the standards and operation of the MSW industry. Pursuant to the "Opinions on Further Strengthening the Incineration of Municipal Solid Waste Treatment", the government puts great emphasis on better site selection, higher standard for WTE plant construction, effective coordination on project development and tighter administration and control of WTE projects. With these strong policy support, we believe the MSW industry will continue to experience stable growth in the coming years. We will continue to seize opportunities for WTE projects in China, focusing on municipal waste and exploring relevant new opportunities to continue our journey of success. We believe that increasingly stringent policy and higher standard requirements will help to foster market development, and can benefit Canvest in the long run.

As a responsible listed enterprise, we are committed to maintain close and timely communication with the investment community. We had won the Overall Best Investor Relations Company and numerous awards at HKIRA's Investor Relations Awards — Small Cap for two consecutive years. In addition, we were accredited as an EcoChallenger under Corporate Environmental Leadership Awards 2016. We will continue to make it our priority to maintain transparency and high standard of corporate governance.

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, 16 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue	3	**1,158,013**	670,039
Cost of sales	4	**(806,139)**	(422,464)
Gross profit		**351,874**	247,575
General and administrative expenses	4	**(77,725)**	(58,609)
Other income	5	**50,947**	20,002
Other (losses)/gains, net	6	**(8,541)**	1,967
Operating profit		**316,555**	210,935
Interest income	7	**2,681**	2,116
Interest expense	7	**(49,047)**	(39,800)
Interest expense, net		**(46,366)**	(37,684)
Profit before income tax		**270,189**	173,251
Income tax expense	8	**(44,054)**	(19,408)
Profit for the period		**226,135**	153,843
Profit attributable to:			
Equity holders of the Company		**226,135**	153,843
Non-controlling interests		**–**	–
		226,135	153,843
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
— basic	9	**10.1**	7.7
— diluted	9	**10.1**	7.7

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**226,135**	153,843
Other comprehensive income/(loss), net of tax:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**97,537**	(49,824)
Other comprehensive income/(loss) for the period, net of tax	**97,537**	(49,824)
Total comprehensive income for the period	**323,672**	104,019
Total comprehensive income attributable to:		
Equity holders of the Company	**323,672**	104,019
Non-controlling interests	**–**	–
	323,672	104,019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**142,969**	140,441
Property, plant and equipment		**1,500,355**	1,201,711
Intangible assets		**3,317,894**	2,630,441
Long-term deposits and prepayments	*11*	**401,963**	295,186
Gross amounts due from customers for contract work	*12*	**903,288**	820,862
		6,266,469	5,088,641
Current assets			
Inventories		**1,325**	761
Trade and bills receivables	*11*	**179,313**	114,334
Gross amounts due from customers for contract work	*12*	**62,493**	55,981
Other receivables, deposits and prepayments	*11*	**265,008**	139,307
Restricted deposits		**11,476**	42,927
Cash and cash equivalents		**1,695,396**	618,953
		2,215,011	972,263
Total assets		**8,481,480**	6,060,904
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**24,553**	20,342
Share premium		**2,697,306**	1,195,835
Other reserves		**515,547**	477,532
Retained earnings		**1,203,736**	1,029,334
		4,441,142	2,723,043
Non-controlling interests		**–**	–
Total equity		**4,441,142**	2,723,043

	Note	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**2,386,994**	1,634,549
Convertible loan	*13*	**–**	407,935
Other payables	*14*	**146,311**	145,333
Deferred government grants	*15*	**115,583**	36,789
Other non-current liabilities		**3,219**	2,954
Deferred income tax liabilities		**289,428**	251,649
		2,941,535	2,479,209
Current liabilities			
Trade and other payables	*14*	**753,481**	567,123
Deferred government grants	*15*	**1,369**	1,329
Bank borrowings		**327,198**	276,837
Current income tax liabilities		**16,755**	13,363
		1,098,803	858,652
Total liabilities		**4,040,338**	3,337,861
Total equity and liabilities		**8,481,480**	6,060,904
Net current assets		**1,116,208**	113,611
Total assets less current liabilities		**7,382,677**	5,202,252

Notes:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Significant events and transactions

(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 acquiring new source of projects, and fully support the Company in obtaining waste-to-energy ("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 amounted to approximately HK$1,018,013,000. The transaction was completed on 28 March 2017.

(iii) In March 2017, the Group was awarded the build-operate-transfer ("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 International Finance Corporation ("IFC") to exercise the conversion rights attached 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 on 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.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total earnings and the adoption of amendments to HKFRSs effective for the financial year ended 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9, 'Financial Instruments'

HKFRS 9 'Financial Instruments' 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 has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

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.

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.

(ii) 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 revenue arising from the sale of goods and the rendering of 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. The new standard is effective for first interim period within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

At this stage, the Group is unable 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 six months.

(iii) HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will results 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 the Group's operating leases. The Group has not yet determined to what extent its non-cancellable operating lease 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 standard is mandatory for first interim period within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the six months ended 30 June 2017, the Executive Directors consider that the Group's operations are operated and managed as a single segment — WTE project construction and operation (2016: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the People's Republic of China ("PRC"). All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC for the six months ended 30 June 2017 (2016: same).

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from power sales	**316,365**	245,165
Waste treatment fee	**127,846**	130,305
Construction revenue arising from BOT arrangement	**690,007**	278,826
Finance income arising from BOT arrangement	**23,795**	15,743
	1,158,013	670,039

Revenue of approximately HK$294,891,000 is derived from the largest single customer for the six months ended 30 June 2017, representing 25% of the Group's total revenue, is attributable to revenue from construction revenue; approximately HK$243,777,000 is derived from the second largest customer for the six months ended 30 June 2017, representing 21% of the Group's total revenue, is attributable to power sales; approximately HK$168,122,000 is derived from the third largest customer for the six months ended 30 June 2017, representing 15% of the Group's total revenue, and for which approximately HK$166,089,000 is attributable to construction revenue and approximately HK$2,033,000 is attributable to finance income; approximately HK$152,280,000 is derived from the fourth largest customer for the six months ended 30 June 2017, representing 13% of the Group's total revenue, and for which approximately HK$149,264,000 is attributable to construction revenue and approximately HK$3,016,000 is attributable to finance income.

Revenue of approximately HK$240,422,000 is derived from the largest single customer for the six months ended 30 June 2016, representing 36% of the Group's total revenue, is attributable to revenue from power sales; approximately HK$155,116,000 is derived from the second largest customer for the six months ended 30 June 2016, representing 23% of the Group's total revenue, and for which approximately HK$151,235,000 is attributable to construction revenue and approximately HK$3,881,000 is attributable to finance income; approximately HK$139,453,000 is derived from the third largest customer for the six months ended 30 June 2016, representing 21% of the Group's total revenue, and for which approximately HK$127,591,000 is attributable to construction revenue and approximately HK$11,862,000 is attributable to finance income.

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Coal	**–**	1,683
Fuel	**457**	598
Maintenance cost	**33,387**	21,192
Environmental protection expenses	**66,648**	49,176
Auditors' remuneration	**1,662**	1,427
Employee benefit expenses	**67,993**	58,007
Depreciation and amortisation		
— Land use rights	**1,748**	1,840
— Property, plant and equipment	**47,494**	35,661
— Intangible assets	**30,510**	36,412
Operating lease rentals	**4,509**	4,313
Construction cost recognised for construction of BOT projects (included in cost of sales)	**575,008**	235,482

5 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Value-added tax refund (Note (i))	**25,545**	18,411
Management income (Note (ii))	**20,001**	–
Government grants	**672**	23
Others	**4,729**	1,568
	50,947	20,002

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 six months ended 30 June 2017 is derived from a company whose directors consist of key management personnel from the Group.

6 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/gain on disposal of property, plant and equipment	**(5,844)**	284
Exchange (losses)/gains, net	**(2,697)**	1,683
	(8,541)	1,967

7 INTEREST INCOME AND EXPENSE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**(54,521)**	(39,599)
Imputed interest expense on convertible loan (note 13)	**(10,813)**	(7,116)
	(65,334)	(46,715)
Less: amount capitalised on qualifying assets	**16,287**	6,915
	(49,047)	(39,800)
Interest income from bank deposits	**2,681**	2,116
Interest expense, net	**(46,366)**	(37,684)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
PRC enterprise income tax	**14,394**	10,858
Hong Kong profits tax	**–**	–
Total current income tax	**14,394**	10,858
Deferred income tax	**29,660**	8,550
Income tax expense	**44,054**	19,408

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 six months ended 30 June 2017 and 2016. No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the period (2016: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% on the assessable profits arising in or derived from the PRC for the six months ended 30 June 2017 and 2016 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, and followed by a 50% tax reduction for the ensuing three years from 2014 to 2016. Accordingly, the applicable tax rate for Kewei was 25% for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 12.5%).

(ii) Dongguan China Scivest Environmental Power Company Limited ("China Scivest") has obtained an approval for an EIT incentive that its project was fully exempted from the PRC EIT for three years starting from 2013 to 2015, and 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 six months ended 30 June 2017 (for the six months ended 30 June 2016: 12.5%).

(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, and 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 six months ended 30 June 2017 (for the six months ended 30 June 2016: 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, and followed by a 50% tax reduction for the ensuing three years from 2019 to 2021. Accordingly, the applicable tax rate of Zhanjiang Yuefeng was 0% for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 0%).

(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 six months ended 30 June 2017.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

9 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company and weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**226,135**	153,843
Weighted average number of ordinary shares in issue *(thousand shares)*	**2,244,548**	2,007,109
Basic earnings per share *(HK cents)*	**10.1**	7.7

(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 (2016: two) categories of dilutive potential ordinary share: share options and convertible loan (2016: same). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible loan has assumed to have been converted into ordinary shares, and the profit for the period has been adjusted to eliminate the interest expense of the convertible loan.

Diluted earnings per share for the six months ended 30 June 2017 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 (2016: same).

10 DIVIDENDS

The board has resolved to declare an interim dividend of HK1.3 cents per ordinary share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK1.1 cents per ordinary share), payable on Friday, 6 October 2017 to shareholders whose names appear on the register of members of the Company on Friday, 22 September 2017. The interim dividends, amounting to HK$31,919,000 (six months ended 30 June 2016: HK$22,377,000), has not been recognised as a dividend payable in the condensed consolidated interim financial information. The amount of interim dividend declared for the six months ended 30 June 2017 was calculated based on the number of ordinary shares in issue at the date of approval for issue of the condensed consolidated interim financial information.

The final dividend of HK1.6 cents per share for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil) has been approved by the shareholders at the annual general meeting of the Company held on Friday, 16 June 2017, and were subsequently paid on Friday, 7 July 2017. The final dividends for the year ended 31 December 2016, amounting to HK$39,285,000, has been recognised as dividend payable as at 30 June 2017 (note 14). No final dividend has been approved nor paid in 2016 for the year ended 31 December 2015.

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

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Non-current assets		
Deposits for investments	**330,863**	228,060
Prepayments for property, plant and equipment	**64,319**	59,883
Rental deposits	**1,617**	1,617
Other prepayments	**5,164**	5,626
	401,963	295,186
Current assets		
Trade receivables	**179,313**	110,980
Bills receivables	**—**	3,354
Deposits and prepayments	**13,125**	4,053
Other receivables (Note)	**88,205**	59,827
Value-added tax recoverable	**163,678**	75,427
	444,321	253,641
	846,284	548,827

Note: As at 30 June 2017 and 31 December 2016, the balances mainly include receivables in relation to the management income (note 5) and from a company whose directors consist of the Group's key management personnel.

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

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Up to 1 month	**78,877**	33,841
1 to 3 months	**66,338**	41,374
3 to 6 months	**29,596**	25,943
Over 6 months	**4,502**	9,822
	179,313	110,980

12 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 arrangements.

	As at 30 June 2017 (Unaudited) ***HK$'000***	As at 31 December 2016 (Audited) *HK$'000*
Contract costs incurred plus recognised profits	**996,198**	915,596
Less: Billings	**(30,417)**	(38,753)
Net contract work	**965,781**	876,843
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**903,288**	820,862
— Current	**62,493**	55,981
	965,781	876,843

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.

13 CONVERTIBLE LOAN

On 28 April 2016, the Company borrowed the convertible loan in the aggregate principal amount of HK$465,012,000 from IFC. 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 out in the convertible loan agreement.

The total net proceeds of the convertible loan of HK$457,658,000, after deducting related expenses, has been received by the Group during the six months ended 30 June 2016.

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

(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.

(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.

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	Equity component	Total
	HK$'000	*HK$'000*	*HK$'000*
For the six months ended 30 June 2017 (Unaudited)			
As at 1 January 2017	**407,935**	**71,970**	**479,905**
Imputed interest expense	**10,813**	**—**	**10,813**
Interest paid	**(3,049)**	**—**	**(3,049)**
Conversion into ordinary shares	**(415,699)**	**(71,970)**	**(487,669)**
As at 30 June 2017	**—**	**—**	**—**

On 3 April 2017, the Company has received a conversion notice from IFC to exercise the conversion rights attached 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 adjusted conversion price of HK$3.84 per share as at 12 April 2017.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Non-current liabilities		
Other payables (Note)	**146,311**	145,333
Current liabilities		
Trade payables	**86,858**	64,476
Dividend payable (note 10)	**39,285**	–
Accruals and other payables (Note)	**627,338**	502,647
	753,481	567,123
	899,792	712,456

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

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

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Up to 1 month	**64,908**	37,672
1 to 2 months	**1,609**	13,376
2 to 3 months	**6,838**	2,720
Over 3 months	**13,503**	10,708
	86,858	64,476

15 DEFERRED GOVERNMENT GRANTS

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Government grants	**116,952**	38,118
Less: Amount included under current liabilities	**(1,369)**	(1,329)
Amount included under non-current liabilities	**115,583**	36,789

The government grants were recognised as deferred income when received and amortised through profit or loss on a systematic basis over the concession period of the WTE projects.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, China continued to have stable economic growth, and green development continued to be one of the key topics. With the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets", green, circular, and lower-carbon development is one of the directions of the government. More specific environmental protection policies came into effect to ensure the healthy development of the market.

Eco-Tech I WTE plant, Kewei WTE plant, China Scivest I WTE plant, Zhanjiang WTE plant and Phase 1 of Xingyi WTE plant continued to provide contributions during the first half of 2017. In addition to the revenue from new projects under operation and the construction revenue arising from additional projects under construction, the Group recorded satisfactory results for the six months ended 30 June 2017.

Overall Performance

For the six months ended 30 June 2017, the Group's revenue was HK$1,158.0 million (corresponding period in 2016: HK$670.0 million), representing an increase of 72.8%. The operating profit and profit for the period was HK$316.6 million (corresponding period in 2016: HK$210.9 million) and HK$226.1 million (corresponding period in 2016: HK$153.8 million). Profit attributable to equity holders of the Company was HK$226.1 million (corresponding period in 2016: HK$153.8 million), representing an increase of 47.0%. Basic earnings per share was HK10.1 cents (corresponding period in 2016: HK7.7 cents).

During the period under review, the Group implemented innocuous treatment of waste volume amounted to 1,482,607 tonnes, representing an increase of 34.5% as compared with the corresponding period in 2016. The Group generated 608,226,000 kWh from green energy, saving 211,805 tonnes of standard coal and reducing emission of carbon dioxide by 528,030 tonnes.

Processing Capacity Expansion

Operating Processing Capacity

As at 30 June 2017, the operating daily MSW processing capacity of the Group (including the project under management) increased from 7,600 tonnes to 10,640 tonnes, representing an increase of 40.0%.

Total Processing Capacity

As at 30 June 2017, the operating, secured, announced and under management agreement daily MSW processing capacity of our 13 projects was 19,240 tonnes, of which 15,490 tonnes are in Guangdong Province, 2,550 tonnes are in Guangxi Zhuang Autonomous Region and 1,200 tonnes are in Guizhou Province.

Projects

Overall

Xinyi WTE plant was added to our portfolio in the first half of 2017, resulting in 13 operating, secured, announced and managed projects. Having considered the additional approved daily MSW processing capacity of phase 2 of Xingyi WTE plant by 150 tonnes, the total daily MSW processing capacity increased from 18,340 tonnes to 19,240 tonnes. Geographical coverage of the Group covers Guangdong Province, Guangxi Zhuang Autonomous Region and Guizhou Province.

Guangdong Province

Eco-Tech I WTE plant, Kewei WTE plant, China Scivest I WTE plant and Zhanjiang WTE plant continued to provide contributions during the first half of 2017.

Construction of Eco-Tech II WTE plant was completed and operation was commenced in April 2017.

China Scivest II WTE plant was under construction and trial operation was expected in the second half of 2017. In first half of 2017, China Scivest II WTE plant received a government grant amounted to HK$76.9 million.

Construction of Zhongshan WTE plant, a project under our management, was completed and testing was commenced in April 2017. Qingyuan WTE plant is still under planning and Lufeng WTE plant is in the preparation stage.

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. The project is in the planning stage. 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 was under construction. This project is expected to commence trial operation in the second half of 2017. Beiliu WTE plant was under construction.

Guizhou Province

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 could be increased to 500 tonnes. Construction of phase 2 was completed and trial operation was commenced during the period under review.

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

Location	Project(s)	Six months ended 30 June 2017	2016
Guangdong Province	**Eco-Tech I WTE plant**		
	Waste treatment		
	Processed MSW *(tonnes)*	**311,535**	366,337
	Power generation		
	Power generated *(MWh)*	**141,462**	151,007
	Power sold *(MWh)*	**124,332**	133,714
	Sales to generation ratio *(Note 1)*	**87.9%**	88.5%
	Eco-Tech II WTE plant *(Note 2)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**150,061**	N/A
	Power generation		
	Power generated *(MWh)*	**69,627**	N/A
	Power sold *(MWh)*	**62,278**	N/A
	Sales to generation ratio *(Note 1)*	**89.4%**	N/A
	Kewei WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**271,222**	286,523
	Power generation		
	Power generated *(MWh)*	**120,635**	121,479
	Power sold *(MWh)*	**107,846**	108,536
	Sales to generation ratio *(Note 1)*	**89.4%**	89.3%
	China Scivest I WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**340,674**	334,675
	Power generation		
	Power generated *(MWh)*	**142,530**	135,309
	Power sold *(MWh)*	**123,969**	118,710
	Sales to generation ratio *(Note 1)*	**87.0%**	87.7%
	Zhanjiang WTE plant *(Note 3)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**284,588**	91,749
	Power generation		
	Power generated *(MWh)*	**96,550**	27,358
	Power sold *(MWh)*	**84,467**	22,506
	Sales to generation ratio *(Note 1)*	**87.5%**	82.3%

Location	**Project(s)**	**Six months ended 30 June 2017**	**2016**
Guangxi Zhuang Autonomous Region	**Laibin WTE plant** *(Note 4)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**N/A**	23,398
	Power generation		
	Power generated *(MWh)*	**N/A**	9,662
	Power sold *(MWh)*	**N/A**	7,067
	Sales to generation ratio *(Note 1)*	**N/A**	73.1%
Guizhou Province	**Xingyi WTE plant** *(Note 5)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**124,527**	N/A
	Power generation		
	Power generated *(MWh)*	**37,422**	N/A
	Power sold *(MWh)*	**30,059**	N/A
	Sales to generation ratio *(Note 1)*	**80.3%**	N/A
Total	***Waste treatment***		
	Process MSW *(tonnes)*	**1,482,607**	1,102,682
	Power generation		
	Power generated *(MWh)*	**608,226**	444,815
	Power sold *(MWh)*	**532,951**	390,533
	Sales to generation ratio *(Note 1)*	**87.6%**	87.8%

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: Eco-Tech II WTE plant commenced operation in April 2017.

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

Note 4: The operations of Laibin WTE plant have been suspended since March 2016 for its technological upgrade.

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. Phase 2 of Xingyi WTE plant commenced operation during the period under review.

Revenue

During the period under review, the Group's revenue reached HK$1,158.0 million, representing an increase of 72.8% compared with HK$670.0 million in the corresponding period of 2016. Among that, revenue from power sales and waste treatment fees for the period under review reached HK$444.2 million, representing an increase of 18.3% from the corresponding period in 2016. Increase in total revenue was mainly contributed by the construction revenue from the additional projects under construction as well as operating revenue of Eco-Tech II WTE plant and Zhanjiang WTE plant after the completion of construction.

The following table sets forth the breakdown of revenue for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from power sales	**316,365**	**27.3%**	245,165	36.6%
Revenue from waste treatment fees	**127,846**	**11.0%**	130,305	19.5%
Construction revenue arising from BOT arrangement	**690,007**	**59.6%**	278,826	41.6%
Finance income arising from BOT arrangement	**23,795**	**2.1%**	15,743	2.3%
Total	**1,158,013**	**100.0%**	670,039	100.0%

The following table sets forth the breakdown of revenue by region for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Guangdong Province	**741,518**	**64.0%**	510,180	76.1%
Guangxi Zhuang Autonomous Region	**325,296**	**28.1%**	159,859	23.9%
Guizhou Province	**91,199**	**7.9%**	—	—
Total	**1,158,013**	**100.0%**	670,039	100.0%

Cost of Sales

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

During the period under review, cost of sales increased from HK$422.5 million in the corresponding period of 2016 by 90.8% to HK$806.1 million. The increase was mainly attributable to the construction cost incurred from the additional projects under construction as well as the operating costs of new plants added, including Eco-Tech II WTE plant after completion, and phase 1 of Xingyi WTE plant after accounting as part of the Group's results since 31 August 2016.

Gross Profit and Gross Profit Margin

During the period under review, gross profit of the Group amounted to HK$351.9 million, representing an increase of 42.1% as compared to HK$247.6 million in the corresponding period of 2016. The increase in gross profit was mainly attributable to the contributions from the operations of Eco-Tech II WTE plant and Zhanjiang WTE plant and the gross profit from the construction of additional WTE plants.

The following table sets forth the breakdown of the gross profit by nature for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Power sales and waste treatment operations	**213,080**	**60.6%**	188,488	76.1%
Construction service arising from BOT arrangement	**114,999**	**32.7%**	43,344	17.5%
Finance income arising from BOT arrangement	**23,795**	**6.7%**	15,743	6.4%
Total	**351,874**	**100.0%**	247,575	100.0%

Gross profit margin of the Group decreased from 36.9% in the corresponding period of 2016 to 30.4% for the period under review. The decrease was due to generally lower gross profit margin of construction revenue, and lower gross profit margin of the operating plants as a result of increase in overhaul time of certain WTE plants, leading to decrease in operating revenue.

The following table sets forth the gross profit margin by nature generated by each of the WTE plants for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June	
	2017	2016
	Gross profit margin	*Gross profit margin*
Power sales and waste treatment operations	**48.0%**	50.2%
Construction service arising from BOT arrangement	**16.7%**	15.5%
Finance income arising from BOT arrangement	**100.0%**	100.0%
Gross profit margin of the Group	**30.4%**	36.9%

General and Administrative Expenses

General and administrative expenses mainly comprised of 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 period under review, general administrative expenses increased by 32.6% from HK$58.6 million in the corresponding period of 2016 to HK$77.7 million in the current period of 2017. 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 period under review, other income increase by 154.5% from HK$20.0 million in the corresponding period of 2016 to HK$50.9 million in the current period of 2017. It was mainly due to Eco-Tech I WTE plant started to enjoy VAT refund in 2017, as well as the management income received from the management services of Zhongshan WTE project.

Other Losses/Gains, Net

During the period under review, other net losses recorded HK$8.5 million as compared to other net gains amounted to HK$2.0 million in the corresponding period of 2016. It was mainly attributable to the loss on disposal of certain fixed assets of Eco-Tech I WTE plant and Kewei WTE plant with a purpose to optimize the master layout with Eco-Tech II WTE plant.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the period under review, net interest expenses increased by 23.0% from HK$37.7 million in the corresponding period of 2016 to HK$46.4 million in the current period of 2017. The increase in interest expenses was mainly due to the increase in bank borrowings related to projects under construction, and finance costs related to Eco-Tech II WTE plant, Zhanjiang WTE plant and Phase 2 of Xingyi WTE plant were no longer eligible for capitalization after construction works completed and plants were ready for use.

Income Tax Expenses

During the period under review, income tax expenses increased by 127.3% from HK$19.4 million in the corresponding period of 2016 to HK$44.1 million in the current period of 2017. It was mainly attributable to the tax incurred by Kewei WTE plant as a result of transiting from half tax reduction to no tax reduction since 2017 and the deferred income taxes incurred by China Scivest II WTE plant, Beiliu WTE plant, Phase 2 of Xingyi WTE plant and Laibin WTE plant.

Profit Attributable to The Equity Holders of The Company

During the period under review, profit attributable to the equity holders of the Company increased by 47.0% from HK$153.8 million in the corresponding period of 2016 to HK$226.1 million in the current period of 2017.

Liquidity, Financial and Capital Resources

Financial resources

During the period under review, the Group generated HK$282.1 million cash from operating projects (corresponding period in 2016: HK$193.3 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$670.6 million (corresponding period in 2016: HK$141.3 million), as a result, total net cash used in operating activities amounted to HK$388.5 million during the period under review (corresponding period in 2016: generated HK$52.0 million).

The Group generated cash flow through operating activities, loan facilities from banks and equity financing. As at 30 June 2017, total cash and cash equivalents of the Group were HK$1,695.4 million (31 December 2016: HK$619.0 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

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, and the respective use of the net proceeds as at 30 June 2017 was as follows:

	Available	**Used**	**Unused**
	HK$'000	*HK$'000*	*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	91,904	57,692
Working capital and other general corporate purposes	106,855	106,855	–
Total	1,068,546	1,010,854	57,692

Use of Proceeds from the Placing of Shares to Wise Power

Net proceeds raised by placing of shares to Wise Power on 24 May 2016 amounted to approximately HK$111.4 million (after deducting related expenses) was fully utilized for the construction of plants and purchase of equipment.

Use of Proceeds from the Conversion of Convertible Loans from IFC

On 3 April 2017, the Company received a conversion notice from IFC to exercise the conversion rights attached 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 conversion Shares with nominal value of HK$1,210,968.8 to IFC at the conversion price of HK$3.84 per conversion Share. The net proceeds from the Convertible Loan was HK$457.7 million (after deducting related expenses) and the respective use of the proceeds as at 30 June 2017 was as follows:

	Available	**Used**	**Unused**
	HK$'000	*HK$'000*	*HK$'000*
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	411,892	411,892	—
Working capital and other general corporate purposes	45,766	45,766	—
Total	457,658	457,658	—

Use of Proceeds from the Placing of Shares to True Victor

To facilitate the growth and development of the Group by leveraging on the projects, technical, operation and financial edges of the Company and SIHL, the Company established strategic partnership with SIHL and entered into a subscription agreement on 17 February 2017, pursuant to which the Company conditionally agreed to issue and True Victor conditionally agreed to subscribe 300,000,000 ordinary Shares with nominal value of HK$3,000,000 at the subscription price of HK$3.5 per Share. The closing price of the Share was HK$3.84 on 17 February 2017, the date of the subscription agreement.

The subscription was completed on 28 March 2017, and net proceeds of approximately HK$1,018.0 million (after deducting related expenses) were received by the Group. The net price per subscription Share was approximately HK$3.4. The proceeds have not been fully utilized as at 30 June 2017 and as at the date of this announcement.

The use of proceeds as at 30 June 2017 was as follows:

	Available	**Used**	**Unused**
	HK$'000	*HK$'000*	*HK$'000*
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	712,610	34,062	678,548
Working capital and other general corporate purposes	305,403	13,923	291,480
Total	1,018,013	47,985	970,028

As at 30 June 2017, the unutilized net proceeds from the placing were deposited in bank accounts.

Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 30 June 2017, the Group's bank borrowings was HK$2,714.2 million (31 December 2016: HK$1,911.4 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 all of them (31 December 2016: over 96%) 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 on 28 April 2016. 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 dollars 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. On 12 April 2017, the convertible loan has been converted to 121,096,875 conversion Shares and there is no outstanding convertible loan immediately after the conversion. Please refer to the announcement dated 12 April 2017 for further details.

Net asset of the Group was HK$4,441.1 million (31 December 2016: HK$2,723.0 million). It is attributable to the profit generated during the period under review and the equity fund raising activity in first half of 2017.

The following table sets forth the analysis of the borrowings as at 30 June 2017 and 31 December 2016:

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Portion of term loans due to repayment after one year — secured	**2,386,994**	1,634,549
Portion of term loans due for repayment within one year — secured	**327,198**	276,837
Total bank borrowings	**2,714,192**	1,911,386
Convertible loan — debt component — unsecured	**—**	407,935
Total borrowings	**2,714,192**	2,319,321

The gearing ratio is the ratio of total liabilities divided by total assets. As at 30 June 2017, the gearing ratio was 47.6% (31 December 2016: 55.1%).

As at 30 June 2017, the Group had banking facilities in the amount of HK$3,253.5 million, of which HK$539.3 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and most of them were at floating interest rates.

Cost of borrowings

For the six months ended 30 June 2017, the total cost of borrowings of the Group was HK$49.0 million (corresponding period in 2016: HK$39.8 million), representing an increase of HK$9.2 million. The increase was mainly attributable to the increase in bank borrowings related to projects under construction as well as finance costs related to Eco-Tech II WTE plant, Zhanjiang WTE plant and phase 2 of Xingyi 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 4.41% to 10.69% during the period under review, while it was from 2.23% to 10.69% in corresponding period in 2016.

For the six months ended 30 June 2017, the imputed interest expenses and interests paid in relation to the convertible loan amounted to HK$10.8 million and HK$3.0 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 30 June 2017, the Group had capital commitments authorised but not contracted for amounted to HK$440.3 million (31 December 2016: HK$687.3 million) and capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$1,084.0 million (31 December 2016: HK$1,153.9 million).

As at 30 June 2017, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK$8.5 million (31 December 2016: HK$9.6 million).

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

Saved as disclosed in the announcement, no material acquisition and disposal of subsidiaries and no plan for significant investment or acquisition of capital assets were conducted by the Group during the period under review.

Capital Expenditures

For the six months ended 30 June 2017, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounted to HK$887.2 million (corresponding period in 2016: HK$341.5 million). Capital expenditures was mainly funded by bank borrowings, funds generated from operating activities and capital contributions from Shareholders.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2017.

Pledge of Assets

As at 30 June 2017, 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$2,633.7 million (31 December 2016: HK$2,097.8 million) to certain banks to secure certain credit facilities granted to the Group.

Human Resources

As at 30 June 2017, the Group employed a total of 798 employees, 23 of them were at management level. By geographical locations, it had 777 employees in the PRC and 21 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 was 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 six months ended 30 June 2017 were HK$68.0 million (corresponding period in 2016: HK$58.0 million).

Event After the Balance Sheet Date

There are no significant events subsequent to 30 June 2017 which would materially affect the Group's operating and financial performance as of the date of the condensed consolidated interim financial information.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTOR

With effect from 31 March 2017, Mr. Feng Jun has been appointed as a non-executive Director of the Company and Mr. Chung Kwok Nam has been appointed as an independent non-executive Director of the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.3 cents (the corresponding period in 2016: HK1.1 cents) per Share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Friday, 6 October 2017 to Shareholders whose names appear on the register of members of the Company on Friday, 22 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 20 September 2017 to Friday, 22 September 2017 (both days inclusive), during such period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Tuesday, 19 September 2017.

PUBLIC FLOAT

Based on the information that is available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital held by the public for the six months ended 30 June 2017 and as at the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS

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

The interim results for the six months ended 30 June 2017 has not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2017 containing all the information required under the Listing Rules will be dispatched to the Company's Shareholders and will be posted on the above websites in due course.

BOARD OF DIRECTORS

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

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

Hong Kong, 16 August 2017

GLOSSARY

AEP	AEP Green Power, Limited, a private company limited by shares incorporated under the laws of the Republic of Mauritius with limited liability and is an investment subsidiary of Asia Environmental Partners, L.P. and its parallel fund and is a pre-IPO investor
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
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 and is a joint venture of Utrust Holdings and Bank of China Group Investment Limited
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
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. It received an consent from the regulatory authority to extend the concession period for ten years during the period under review
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Director(s)	director(s) of the Company

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
Group	the Company and its subsidiaries
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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
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 Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Lufeng	Lufeng 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 with limited liability on 21 November 2016 and an indirect wholly owned subsidiary of the Company
Main Board	the Main Board of the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
RMB	Renminbi, the lawful currency of PRC
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 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 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
VAT	Value-added tax
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
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 an indirect wholly owned subsidiary of the Company
Xinyi	Xinyi Yuefeng Environmental Power Company Limited (信宜粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 17 March 2017 and an indirectly wholly owned subsidiary of the Company
Yi Feng	Yi Feng Development Limited, a company incorporated in the British Virgin Islands 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 with limited liability on 3 April 2013 and an indirectly wholly owned subsidiary of the Company
Zhongshan	Zhongshan City Guangye Longcheng Environmental Company Limited (中山市廣業龍澄環保有限公司), a company 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.