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

ANNUAL REPORT 2017

Capturing Immense Opportunity
Creating Sustainable GROWTH

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CORPORATE PROFILE

Canvest Environmental Protection Group Company Limited is principally engaged in the provision of environmental hygiene and related services and operation and management of waste-to-energy plants. As at 19 March 2018, total operating, secured, announced and under management agreement daily MSW processing capacity of our 17 projects reached 26,040 tonnes.

In December 2014, Canvest was listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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.

In 2017, Canvest was named in the "2017 China's Most Promising Listed Companies" by Forbes China.

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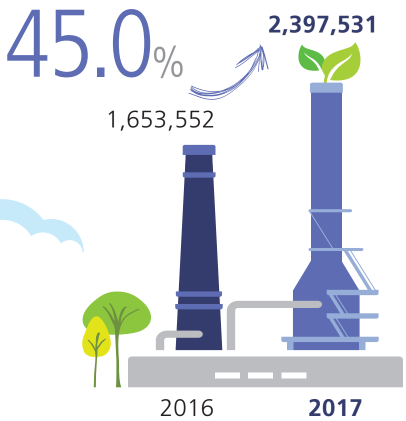
FINANCIAL HIGHLIGHTS

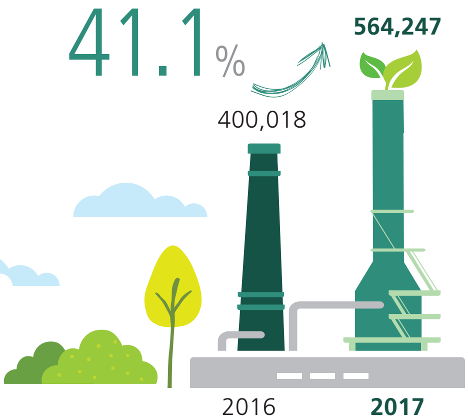
Revenue

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



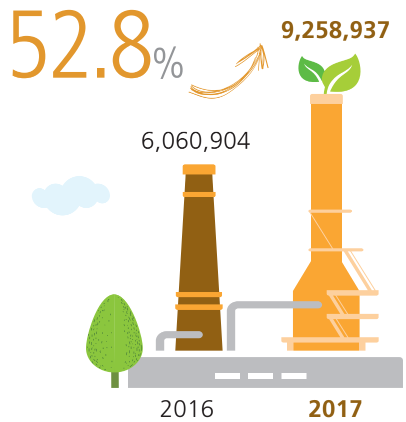
Profit attributable to equity holders of the Company

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



TOTAL ASSETS

(as at 31 December)
HK$'000



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

	For the year ended 31 December		
	2017	2016	Change
Revenue (HK$'000)	**2,397,531**	1,653,552	+45.0%
Included: Revenue from power sales and waste treatment (HK$'000)	**1,079,171**	775,590	+39.1%
Gross profit (HK$'000)	**818,664**	589,289	+38.9%
EBITDA (HK$'000)	**943,782**	702,869	+34.3%
Profit for the year (HK$'000)	**564,247**	400,018	+41.1%
Profit attributable to equity holders of the Company (HK$'000)	**564,247**	400,018	+41.1%
Basic earnings per share (HK cents)	**24.0**	19.8	+21.2%
Total dividend per share (HK cents)*	**3.3**	2.7	+22.2%
Cash generated from operating projects (HK$'000)	**646,209**	460,909	+40.2%

* including proposed final dividend for the year ended 31 December 2017 of HK2.0 cents (2016: HK1.6 cents) per share

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

	As at 31 December		
	2017	2016	Change
Total assets (HK$'000)	**9,258,937**	6,060,904	+52.8%
Total liabilities (HK$'000)	**4,368,631**	3,337,861	+30.9%
Included: Total borrowings (HK$'000)	**3,159,859**	2,319,321	+36.2%
Equity attributable to equity holders of the Company (HK$'000)	**4,890,306**	2,723,043	+79.6%
Total liabilities/total assets	**47.2%**	55.1%	–7.9pts

CORPORATE MILESTONES

Q1 2017

- Awarded the BOT concession right in Xinyi
- Issued 300,000,000 new shares to True Victor and raised net proceeds of HK$1,018.0 million
- Announced 2016 annual results. Profit attributable to equity holders of the Company reached HK$400.0 million

Q2 2017

- IFC exercised the conversion rights attaching to the outstanding convertible loan
- Eco-Tech II WTE plant, Phase 2 of Xingyi WTE plant and Zhongshan WTE plant (project operated under management agreement) commenced operation

Q3 2017

- Laibin WTE plant resumed operation from technological upgrade
- Announced 2017 interim results. Profit attributable to equity holders of the Company reached HK$226.1 million

Q4 2017

- China Scivest II WTE plant commenced preliminary trial operation
- Awarded the PPP project in Dianbai
- Established an investment fund with Guangdong Utrust and BOC & UTRUST
- Awarded the BOT concession right in Xuwen
- Entered into an agreement to acquire 100% equity interest in Xiamen Kun Yue and Hangzhou Langneng

Q1 2018

- Entered into an agreement to acquire 100% equity interest in Dongguan Lujia
- Entered into an agreement to acquire 41% equity interest in Johnson

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 2017 (the "year").

2017 was a productive year for the waste-to-energy industry in China. With the commitment to build a "beautiful China" and following the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), the Central Government set clear targets and promulgated many policies to encourage the healthy development of the industry, including 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」), which targets to achieve a national penetration rate of about 54% for incineration by 2020, and the "Notice on Further Improving the Planning and Site Selection of WTE plants" (「關於進一步做好生活垃圾焚燒發電廠規劃選址工作的通知」), which requires each province to prepare a plan containing the construction targets of WTE plants. These objectives and policies aim to foster a green, circular and low-carbon society, and facilitate the development of a sustainable and conservation culture (生態文明).

To capture the growth opportunities in the market, the Group formed a strategic cooperation with Utrust Holdings, a financial holding group directly under the People's Government of Guangdong Province, to source new projects in Guangdong Province. Under the strategic cooperation, a RMB1,501 million investment fund was established to accelerate strategic acquisitions and enhance competitiveness.

In addition, SIHL has become our second largest shareholder via new share placement. Given its strong financial resources, SIHL's extensive market networks are invaluable to exploring and capturing new business opportunities for the Group. Moreover, IFC has converted its outstanding convertible loan to shares, and our pre-IPO and substantial shareholder, AEP, has further increased its shareholdings in Canvest during the year, showing shareholders' confidence in the management of Canvest.

FINANCIAL PERFORMANCE

During the year, the Group's revenue increased by 45.0% year-on-year to HK$2,397.5 million and the profit attributable to equity holders of the Company increased by 41.1% year-on-year to HK$564.2 million. The increase was mainly attributable to the increase in revenue from power sales and waste treatment fees contributed by the increasing operating capacity, and the increase in construction revenue arising from construction.

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 HK2.0 cents per ordinary share for the year ended 31 December 2017 (2016: HK1.6 cents). If approved by shareholders, the total dividend of 2017 would be HK3.3 cents per share (2016: HK2.7 cents)

"THE GROUP'S REVENUE INCREASED BY 45.0% YEAR-ON-YEAR TO HK$2,397.5 MILLION AND THE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY INCREASED BY 41.1% YEAR-ON-YEAR TO HK$564.2 MILLION"

BUSINESS REVIEW

The Group continued to make significant progress in capacity expansion and operation. During the year, we obtained three more greenfield projects in our home-based Guangdong Province, which were (i) Xinyi WTE plant, with daily MSW processing capacity of 750 tonnes; (ii) Dianbai WTE plant, with daily MSW processing capacity of 2,250 tonnes; and (iii) Xuwen WTE plant, with daily MSW processing capacity of 750 tonnes. In addition, we expanded to Jiangxi Province and Sichuan Province via acquisitions, the daily MSW processing capacity of the acquired plants are 800 tonnes and 3,000 tonnes, respectively. Due to the satisfactory operational performance of phase 1 of the Xingyi project, we successfully obtained approval for a daily MSW processing capacity of 500 tonnes for phase 2. Furthermore, Eco-Tech II WTE plant, phase 2 of Xingyi WTE plant and phase 1 of Laibin WTE plant, had successfully commenced trial operation and China Scivest II WTE plant had commenced preliminary trial operation during the year.

Construction of Zhongshan WTE Plant (operated under management agreement) was completed in first half of 2017 and proceeded to commercial operation in December. The corresponding total operating, secured, announced and managed daily MSW processing capacity had increased from 18,340 tonnes as at December 2016 to 26,040 tonnes as at December 2017.

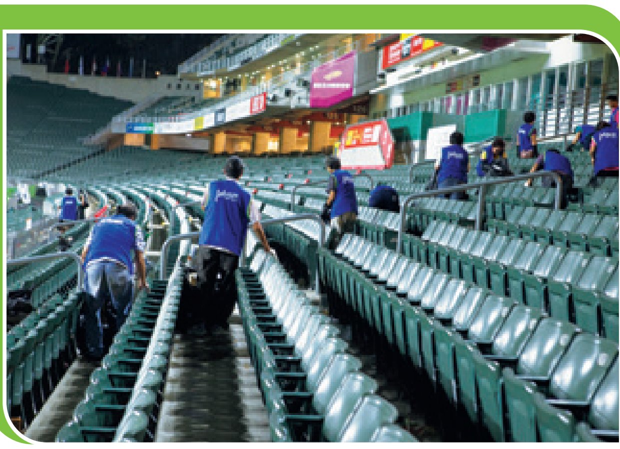
It is important to achieve growth with effectiveness. By implementing the three-pronged driver of "Operate-Build-Develop", Canvest is well equipped to expand its geographical reach, and its revenue and profit are able to achieve sustainable and stellar growth. We will continue to leverage on our track record and high operation standard in order to secure new greenfield and acquire brownfield projects.

Furthermore, we believe integrity and social responsibility are as important as profitability and development, and thus we are proud to be the "Most Socially Responsible Investment and Operational Enterprise in the Solid Waste Industry in China for 2017" and the "Most Socially Responsible Enterprise in Dongguan".

OUTLOOK

Looking ahead, while exploring business opportunities for the Group, we shall continue to uphold the corporate principles of "unite as one, work meticulously and strive for excellence" and our belief "to respect the co-existence between people and environment, to preserve ecology, and to protect the blue sky and clean water". Canvest is a young and energetic enterprise. We adopt a people-oriented philosophy to motivate our staff. The sense of mission, belonging, responsibility and achievement is the foundation for the successful and sustainable development of our Group. In addition, we will continue to actively involve in charitable activities in the community to fulfill our corporate social responsibility and to make contribution to a harmonious society.

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. We are well prepared to make fresh achievements and reach greater heights in the year.



In March 2018, the Group completed the acquisition of 41% equity interest of Johnson.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 19 March 2018

PROJECTS OVERVIEW

Guangdong


Eco-Tech I WTE plant 1


Eco-Tech II WTE plant 2


Kewei WTE plant 3


Zhanjiang WTE plant 6

Qingyuan WTE plant 7

Lufeng WTE plant 9

Guangdong


China Scivest I WTE plant 4


China Scivest II WTE plant 5


Zhongshan WTE plant (Construction and operation under management agreement) 8

Xinyi WTE plant 10

Xuwen WTE plant 11

Dianbai WTE plant 12

Guangxi


Laibin WTE plant 13


Beiliu WTE plant 14

Guizhou


Xingyi WTE plant 15

Jiangxi

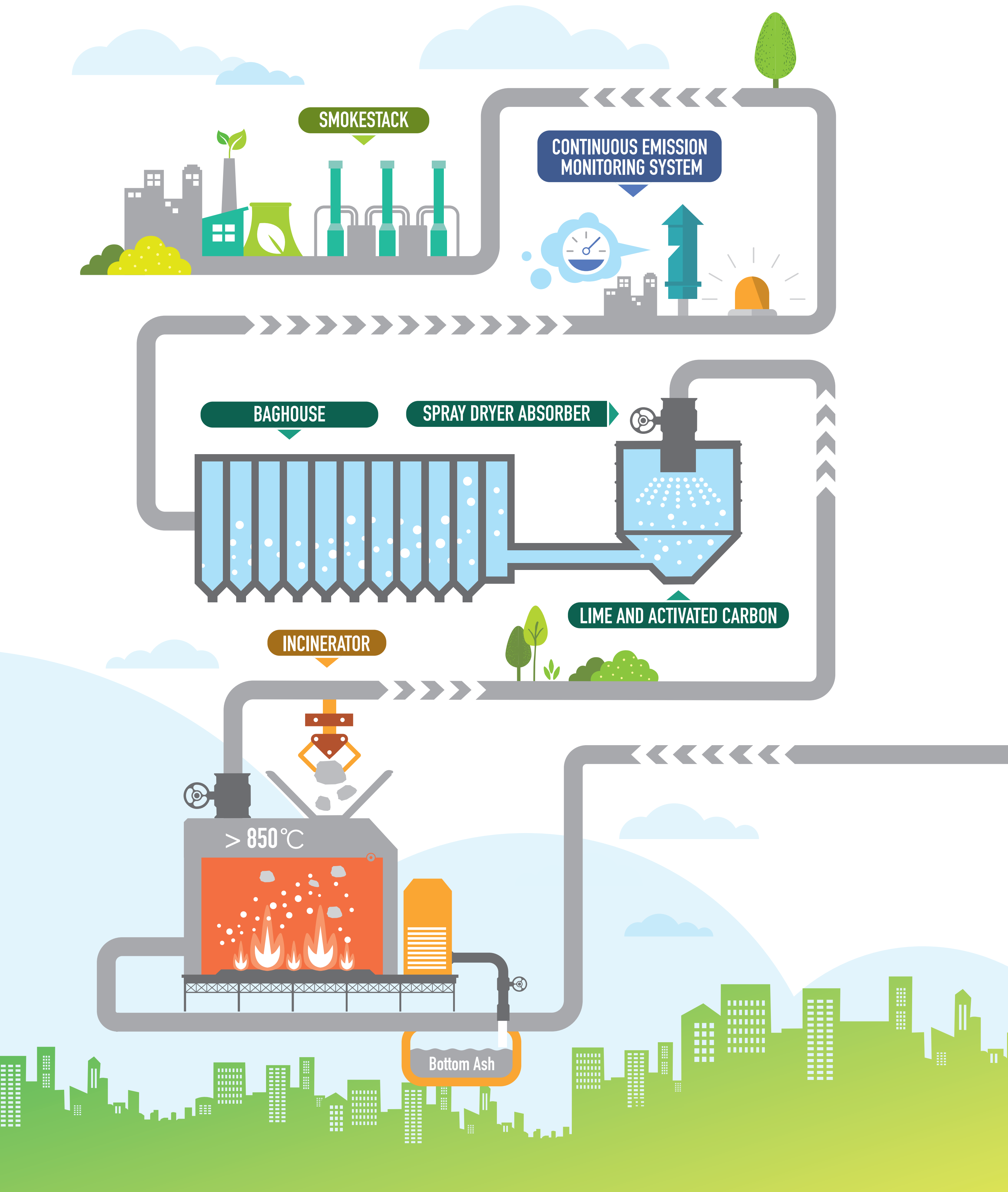
Xinfeng WTE plant 16

Sichuan

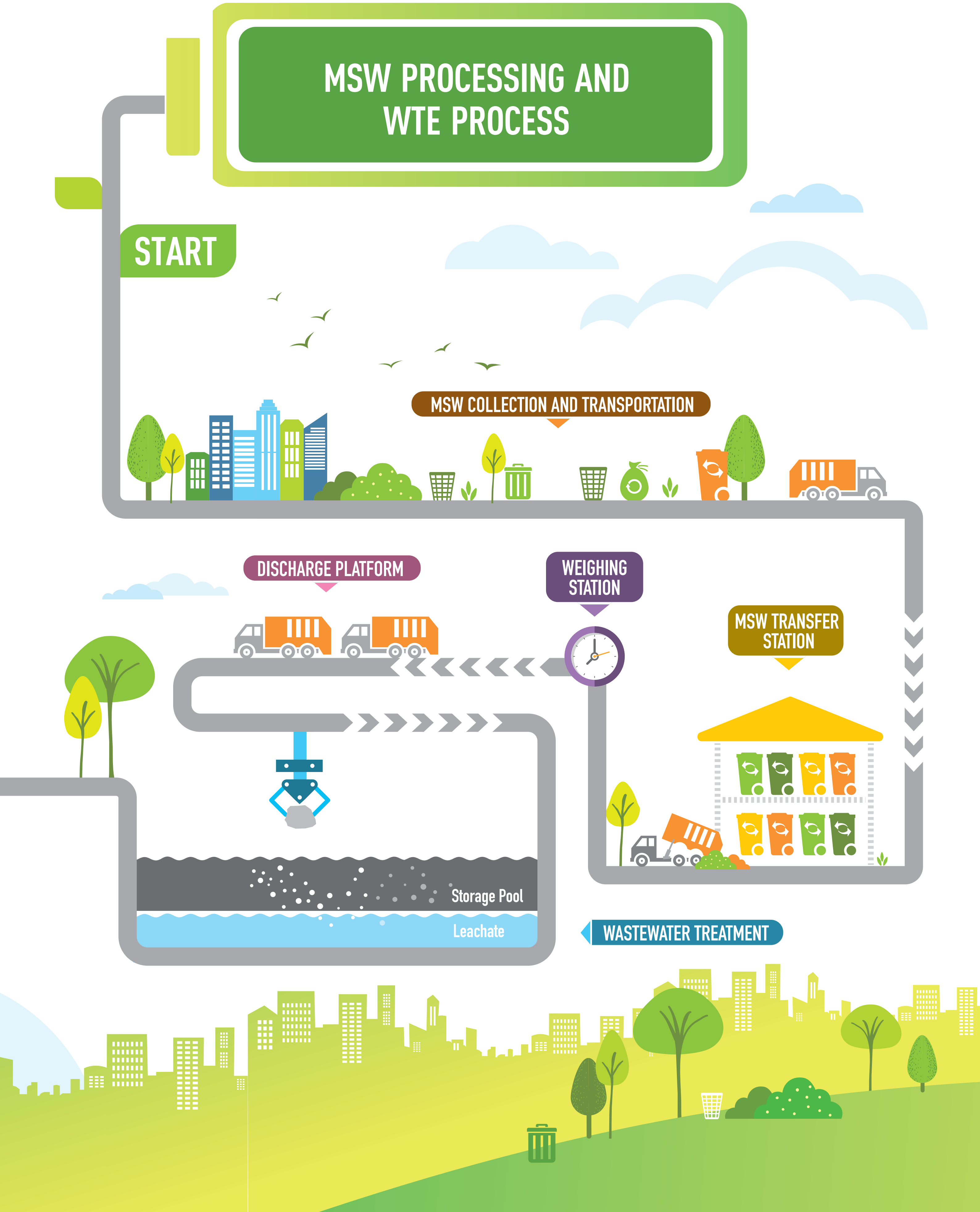
Jianyang WTE plant 17

Total Operating, Secured, Announced and Under Management Agreement Daily MSW Processing Capacity 26,040 Tonnes (as at 19 March 2018)

		Location	Daily MSW processing capacity	Installed power generation capacity	Business model	Concession period	Waste treatment fee	Status
Guangdong	Eco-Tech I WTE plant	Dongguan, Guangdong Province	1,800 tonnes	36MW	BOO	N/A	RMB110/tonne	In operation
Guangdong	Eco-Tech II WTE plant	Dongguan, Guangdong Province	1,500 tonnes	50MW	BOO	N/A	RMB110/tonne	In operation
Guangdong	Kewei WTE plant	Dongguan, Guangdong Province	1,800 tonnes	30MW	BOO	N/A	RMB110/tonne	In operation
Guangdong	China Scivest I WTE plant	Dongguan, Guangdong Province	1,800 tonnes	42MW	BOT	24 years (from 10 December 2004 to 30 November 2028)	RMB110/tonne	In operation
Guangdong	China Scivest II WTE plant	Dongguan, Guangdong Province	1,200 tonnes	36MW	BOT	Under negotiation	RMB110/tonne	In operation
Guangdong	Zhanjiang WTE plant	Zhanjiang, Guangdong Province	1,500 tonnes	30MW	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	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	Construction and Operation under Management Agreement			In operation
Guangdong	Lufeng WTE plant	Lufeng, Guangdong Province	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	BOT	30 years	RMB91.5/tonne	Under construction
Guangdong	Xinyi WTE plant	Xinyi, Guangdong Province	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	BOT	30 years	RMB79/tonne	Planning
Guangdong	Xuwen WTE plant	Xuwen, Guangdong Province	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	BOT	27 years commencing from the date of construction	RMB80.5/tonne	Phase 1: Planning Phase 2: Planning
Guangdong	Dianbai WTE plant	Maoming, Guangdong Province	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: Planning	PPP	338 months commencing from the date of commencement of operations	RMB89.5/tonne	Phase 1: Planning Phase 2: Planning
Guangxi	Laibin WTE plant	Laibin, Guangxi Zhuang Autonomous Region	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	BOT	Until April 2042	RMB95/tonne	Phase 1: In operation Phase 2: Planning
Guangxi	Beiliu WTE plant	Beiliu, Guangxi Zhuang Autonomous Region	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	BOT	30 years commencing from the date of formal commissioning	RMB83/tonne (Calculated on weighted average basis)	Phase 1: In operation Phase 2: Planning
Guizhou	Xingyi WTE plant	Xingyi, Guizhou Province	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	BOT	30 years commencing from the date of formal commissioning	RMB80/tonne	Phase 1: In operation Phase 2: In operation
Jiangxi	Xinfeng WTE plant	Xinfeng, Jiangxi Province	Phase 1: 400 tonnes Phase 2: 400 tonnes	12MW	BOT	30 years commencing from the date of formal receipt of waste treatment fees	RMB45/tonne	Phase 1: Under construction Phase 2: Planning
Sichuan	Jianyang WTE plant	Jianyang, Sichuan Province	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	BOT	30 years commencing from the date of commencement of operations	RMB65.95/tonne	Phase 1: Planning Phase 2: Planning


SMOKESTACK
CONTINUOUS EMISSION MONITORING SYSTEM
BAGHOUSE
SPRAY DRYER ABSORBER
LIME AND ACTIVATED CARBON
INCINERATOR
> 850℃
Bottom Ash

MSW PROCESSING AND WTE PROCESS



MANAGEMENT DISCUSSION AND ANALYSIS

With the commitment to build a "beautiful China" and following the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), the Central Government promulgated many policies to encourage the healthy development of WTE industry. 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」) targets to achieve a national penetration rate of over 50% for incineration by 2020, and the "Notice on Further Improving the Planning and Site Selection of WTE plants" (「關於進一步做好生活垃圾焚燒發電廠規劃選址工作的通知」), requires each province to prepare a plan for the construction targets of WTE plants. These policies aim to foster a green, circular and low-carbon society, and facilitate the development of sustainable and conservation culture.

With the promulgation of the policies in relation to the WTE industry, we believe it is beneficial to the long term development of this industry.

With the solid project development, phase 1 of Laibin WTE plant, Eco-Tech II WTE plant and phase 2 of Xingyi WTE plant commenced operation in 2017. Together with the stable contribution from Eco-Tech I WTE plant, Kewei WTE plant, China Scivest I WTE plant, Zhanjiang WTE plant and phase 1 of Xingyi WTE plant, the Group recorded satisfactory results for the year ended 31 December 2017.

OVERALL PERFORMANCE

For the year ended 31 December 2017, the Group's revenue was HK$2,397.5 million (2016: HK$1,653.6 million), representing an increase of 45.0% over 2016. The operating profit and profit for the year were HK$749.2 million (2016: HK$547.4 million) and HK$564.2 million (2016: HK$400.0 million), respectively, representing an increase of 36.9% and 41.1%, respectively. Profit attributable to equity holders of the Company was HK$564.2 million (2016: HK$400.0 million), representing an increase of 41.1% over the last year. Basic earnings per share was HK24.0 cents (2016: HK19.8 cents).

During the year, the Group's innocuous treatment of waste volume amounted to approximately 3,527,221 tonnes. The Group generated 1,452,328,000 kWh from green energy, saving 503,430 tonnes of standard coal and reducing emission of carbon dioxide by 1,255,051 tonnes.

PROCESSING CAPACITY EXPANSION

Operating Processing Capacity

As at 31 December 2017, the operating daily MSW processing capacity of the Group (including the project under management) increased from 7,600 tonnes to 12,840 tonnes, representing an increase of 68.9%.

Total Processing Capacity

As at 31 December 2017, the operating, secured, announced and under management agreement daily MSW processing capacity of our 17 projects was 26,040 tonnes, of which 18,490 tonnes are in Guangdong Province, 2,550 tonnes are in Guangxi Zhuang Autonomous Region, 1,200 tonnes are in Guizhou Province, 800 tonnes are in Jiangxi Province and 3,000 tonnes are in Sichuan Province.

PROJECTS

Overall

Three projects, namely phase 1 of Laibin WTE plant, Eco-Tech II WTE plant and phase 2 of Xingyi WTE plant, commenced to provide contribution in 2017. Having considered the China Scivest II WTE plant which is under preliminary trial operation stage, there are 17 operating, secured, announced and managed projects in our portfolio. Geographical coverage of the Group further extended from Guangdong Province, Guangxi Zhuang Autonomous Region and Guizhou Province to Jiangxi Province and Sichuan Province.

Guangdong Province

Eco-Tech I WTE plant, Kewei WTE plant, China Scivest I WTE and Zhanjiang WTE plant continued to provide contributions in 2017.

Construction of Eco-Tech II WTE plant was completed and its operation commenced in April 2017. Construction of Zhongshan WTE plant, a project under our management, was completed in first half of 2017 and moved to commercial operation in December 2017.

Construction of China Scivest II WTE plant was substantially completed and is under preliminary trial operation stage. Qingyuan WTE plant and Xinyi WTE plant are still under planning and Lufeng WTE plant is in the preparation stage.

In November 2017, the Group was awarded the PPP project in relation to a WTE plant located in Dianbai District of Maoming City of Guangdong Province. An agreement in relation to the award of the tender was entered in this regard. The project is in the planning stage. Please refer to the announcement dated 16 November 2017 for further details.

In December 2017, the Group was awarded the BOT concession in relation to a WTE plant located in Xuwen County of Guangdong Province. An agreement in relation to the award of the tender was entered in this regard. The project is in the planning stage. Please refer to the announcement dated 11 December 2017 for further details.

Guangxi Zhuang Autonomous Region

Technological upgrade of Laibin WTE plant was completed in the second half of 2017 and commenced to provide contribution. Beiliu WTE plant is under construction and is expected to commence trial operation in the first half of 2018.

Guizhou Province

Construction of phase 2 of Xingyi WTE plant was completed in the first half of 2017 and phase 2 commenced to contribute operating revenue in 2017.

Jiangxi Province

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue. It indirectly holds the BOT concession rights to a WTE plant in Xinfeng County, Jiangxi Province. The project is at the preliminary planning stage. Please refer to the announcement of the Company dated 11 December 2017 for further details.

Sichuan Province

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng. It indirectly holds 50% equity interest of Jianyang Yuefeng, which holds the BOT concession rights to a WTE plant in Jianyang City, Sichuan Province. The project is at the preliminary planning stage. Please refer to the announcement of the Company dated 28 December 2017 for further details.

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

Location	Project(s)	Year ended 31 December 2017	Year ended 31 December 2016
Guangdong Province	**Eco-Tech I WTE plant**		
	Waste treatment		
	Processed MSW *(tonnes)*	**615,600**	692,449
	Power generation		
	Power generated *(MWh)*	**281,365**	299,275
	Power sold *(MWh)*	**250,856**	264,672
	Eco-Tech II WTE plant *(Note 2)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**498,879**	N/A
	Power generation		
	Power generated *(MWh)*	**235,875**	N/A
	Power sold *(MWh)*	**208,753**	N/A
	Kewei WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**560,328**	575,539
	Power generation		
	Power generated *(MWh)*	**249,277**	252,761
	Power sold *(MWh)*	**222,750**	225,606
	China Scivest I WTE plant		
	Waste treatment		
	Processed MSW *(tonnes)*	**711,542**	684,986
	Power generation		
	Power generated *(MWh)*	**294,187**	279,639
	Power sold *(MWh)*	**255,620**	243,794
	China Scivest II WTE plant *(Note 3)*		
	Waste treatment		
	Processed MSW *(tonnes)*	**98,164**	N/A
	Power generation		
	Power generated *(MWh)*	**47,828**	N/A
	Power sold *(MWh)*	**42,936**	N/A

Location	Project(s)	Year ended 31 December 2017	2016
Guangdong Province	**Zhanjiang WTE plant *(Note 4)***		
	Waste treatment		
	Processed MSW *(tonnes)*	**575,690**	316,474
	Power generation		
	Power generated *(MWh)*	**190,681**	98,736
	Power sold *(MWh)*	**166,030**	83,358
Guangxi Zhuang Autonomous Region	**Laibin WTE plant *(Note 5)***		
	Waste treatment		
	Processed MSW *(tonnes)*	**166,332**	23,398
	Power generation		
	Power generated *(MWh)*	**58,057**	9,662
	Power sold *(MWh)*	**48,907**	7,067
Guizhou Province	**Xingyi WTE plant *(Note 6)***		
	Waste treatment		
	Processed MSW *(tonnes)*	**300,686**	76,300
	Power generation		
	Power generated *(MWh)*	**95,058**	22,843
	Power sold *(MWh)*	**77,052**	18,326
Total	***Waste treatment***		
	Processed MSW *(tonnes)*	**3,527,221**	2,369,146
	Power generation		
	Power generated *(MWh)*	**1,452,328**	962,916
	Power sold *(MWh)*	**1,272,904**	842,823

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: China Scivest II WTE plant commenced preliminary trial operation in late 2017.

Note 4: Zhanjiang WTE plant commenced trial operation in April 2016.

Note 5: The operations of Laibin WTE plant have been suspended since March 2016 for its technological upgrade and resumed trial operation in the second half of 2017.

Note 6: 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 in the first half of 2017.

REVENUE

During the year, the Group's revenue reached HK$2,397.5 million, representing an increase of 45.0% when compared with HK$1,653.6 million in 2016. Among that, revenue from power sales and waste treatment fees during the year reached HK$1,079.2 million, representing an increase of 39.1% from 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, Laibin WTE plant, phase 2 of the Xingyi WTE plant and Zhanjiang WTE plant.

The following table sets forth the breakdown of revenue for the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	HK$'000	**%**	HK$'000	%
Revenue from power sales	**772,609**	**32.2%**	519,386	31.4%
Revenue from waste treatment fees	**306,562**	**12.8%**	256,204	15.5%
Construction revenue arising from BOT arrangements	**1,265,853**	**52.8%**	843,760	51.0%
Finance income arising from BOT arrangements	**52,507**	**2.2%**	34,202	2.1%
Total	**2,397,531**	**100.0%**	1,653,552	100.0%

The following table sets forth the breakdown of revenue by region for the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	HK$'000	**%**	HK$'000	%
Guangdong Province	**1,512,912**	**63.1%**	1,135,065	68.6%
Guangxi Zhuang Autonomous Region	**721,964**	**30.1%**	417,304	25.2%
Guizhou Province	**162,655**	**6.8%**	101,183	6.2%
Total	**2,397,531**	**100.0%**	1,653,552	100.0%

COST OF SALES

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

During the year, cost of sales increased 48.4% from HK$1,064.3 million in 2016 to HK$1,578.9 million in 2017. 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, Laibin WTE plant and phase 2 of Xingyi WTE plant after completion of construction, and impact of full year operation of Zhanjiang WTE plant.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2017, gross profit of the Group amounted to HK$818.7 million, representing an increase of 38.9% as compared to HK$589.3 million in 2016. The increase in gross profit was mainly attributable to the contributions from the operations of Eco-Tech II WTE plant, Laibin WTE plant, phase 2 of the Xingyi WTE plant and Zhanjiang WTE plant as well as the gross profit from the construction of additional WTE plants.

The following table sets forth the gross profit by nature for the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	HK$'000	**%**	HK$'000	%
Power sales and waste treatment operations	**555,183**	**67.8%**	414,458	70.3%
Construction service arising from BOT arrangements	**210,975**	**25.8%**	140,629	23.9%
Finance income arising from BOT arrangements	**52,506**	**6.4%**	34,202	5.8%
Total	**818,664**	**100.0%**	589,289	100.0%

Gross profit margin of the Group decreased from 35.6% in 2016 to 34.1% in 2017. The decrease was mainly due to the increase in the contribution from construction revenue, whereby its gross profit margin is generally lower, and lower gross profit margin of the certain operating plants as a result of the increase in overhaul time of certain WTE plants.

The following table sets forth the gross profit margin by nature generated for each of the WTE plants for the year ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017 Gross profit margin	2016 Gross profit margin
Power sales and waste treatment operations	**51.4%**	53.4%
Construction service arising from BOT arrangements	**16.7%**	16.7%
Finance income arising from BOT arrangements	**100.0%**	100.0%
Gross profit margin of the Group	**34.1%**	35.6%

GENERAL AND ADMINISTRATIVE EXPENSES

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

During the year, general and administrative expenses increased by 34.0% from HK$122.9 million in 2016 to HK$164.7 million in 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 year, other income increased by 29.1% from HK$82.6 million in 2016 to HK$106.6 million in 2017. It was mainly due to Eco-Tech I WTE plant started to enjoy VAT refund in 2017.

OTHER LOSSES, NET

During the year, other net losses recorded HK$11.4 million as compared to HK$1.6 million in 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 EXPENSES, NET

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the year, the net interest expenses increased by 25.0% from HK$84.5 million in 2016 to HK$105.6 million in 2017. The increase in interest expenses was mainly due to finance costs related to Eco-Tech II WTE plant, Laibin WTE plant and phase 2 of Xingyi WTE plant were no longer eligible for capitalisation after construction works had been completed and plants were ready for use.

INCOME TAX EXPENSES

During the year, income tax expenses increased by 26.2% from HK$62.9 million in 2016 to HK$79.3 million in 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 year, profit attributable to the equity holders of the Company increased by 41.1%, from HK$400.0 million in 2016 to HK$564.2 million in 2017.

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources

During the year, the Group generated HK$646.2 million cash from operating projects (2016: HK$460.9 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK$1,314.4 million (2016: HK$514.6 million). As a result, total net cash used in operating activities amounted to HK$668.2 million during the year (2016: HK$53.7 million).

The Group generated cash flow through operating activities, equity financing and loan facilities from banks. As at 31 December 2017, total cash and cash equivalents of the Group were HK$1,347.8 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 31 December 2017 was as follows:

	Available HK$'000	Used HK$'000	Unused HK$'000
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	812,095	812,095	—
Development of phase 2 of Zhanjiang WTE plant	149,596	149,596	—
Working capital and other general corporate purposes	106,855	106,855	—
Total	1,068,546	1,068,546	—

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 LOAN FROM IFC

On 3 April 2017, the Company 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 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 31 December 2017 was as follows:

	Available HK$'000	Used HK$'000	Unused 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 by leveraging on the projects, technical, operation and financial edges of the Group 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 for 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 Shares 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 31 December 2017 and as at the date of this annual report.

The use of proceeds as at 31 December 2017 was as follows:

	Available HK$'000	Used HK$'000	Unused HK$'000
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	712,610	214,960	497,650
Working capital and other general corporate purposes	305,403	79,101	226,302
Total	1,018,013	294,061	723,952

As at 31 December 2017, the unutilized net proceeds from the placing were deposited in our bank accounts.

Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2017, the Group's bank borrowings was HK$3,159.9 million (31 December 2016: HK$1,911.4 million). Such bank borrowings were secured by pledge of certain assets 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$4,890.3 million (31 December 2016: HK$2,723.0 million). The increase in net asset was mainly attributable to the profit generated during the year and the equity fund raising activity in first half of 2017.

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Portion of term loans due to repayment after one year — secured	**2,797,061**	1,634,549
Portion of term loans due for repayment within one year — secured	**362,798**	276,837
Total bank borrowings	**3,159,859**	1,911,386
Convertible loan — debt component — unsecured	**—**	407,935
Total borrowings	**3,159,859**	2,319,321

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2017, the gearing ratio was 47.2% (31 December 2016: 55.1%).

As of 31 December 2017, the Group had banking facilities in the amount of HK$3,861.5 million, of which HK$701.6 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

COST OF BORROWINGS

For the year ended 31 December 2017, the total cost of borrowings of the Group was HK$112.0 million (2016: HK$88.9 million), representing an increase of HK$23.1 million. The increase was mainly attributable to the finance costs related to Eco-Tech II WTE plant, Laibin 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 3.96% to 10.69% in 2017, while it was from 2.23% to 10.69% in 2016.

For the year ended 31 December 2017, the imputed interest expenses and interests paid in relation to the convertible loan amounted to HK$10.8 million (2016: HK$28.2 million) and HK$3.0 million (2016: HK$6.0 million), respectively.

FOREIGN EXCHANGE RISK

Major operating subsidiaries of the Group operates 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 instrument for the purpose of hedging. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings and deposits.

COMMITMENTS

As at 31 December 2017, the Group's capital commitments, which were authorised but not contracted for amounted to HK$2,377.3 million (31 December 2016: HK$687.3 million) and its capital commitment contracted for but not yet provided for in the consolidated financial statements amounted to HK$542.5 million (31 December 2016: HK$1,153.9 million).

As at 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK$29.3 million (31 December 2016: HK$9.6 million).

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

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue. It indirectly holds the BOT concession right to a WTE plant in Xinfeng County, Jiangxi Province. As at the date of this annual report, the transaction has not been completed. Please refer to the announcement of the Company dated 11 December 2017 for further details.

In December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng. It indirectly holds 50% equity interest in Jianyang Yuefeng, which in turn holds the BOT concession right to a WTE plant in Jianyang City, Sichuan Province. As at the date of this annual report, the transaction has not been completed. Please refer to the announcement of the Company dated 28 December 2017 for further details.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company during the year ended 31 December 2017.

CAPITAL EXPENDITURES

For the year ended 31 December 2017, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounted to HK$1,392.8 million (2016: HK$1,083.4 million). Capital expenditures were 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 31 December 2017.

PLEDGE OF ASSETS

As at 31 December 2017, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, prepaid operating lease payments, property, plant and equipment, and concession rights (31 December 2016: rights to collect revenue from power sales and waste handling services, restricted deposits, prepaid operating lease payments, property, plant and equipment and concession rights) with an aggregate carrying amount of HK$3,098.9 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 31 December 2017, the Group employed a total of 901 employees, 29 of them were at management level. By geographical locations, it had 880 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 its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014 which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and 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 2017 were HK$153.8 million (2016: HK$113.7 million).

Fund Formation with Guangdong Utrust and BOC & UTRUST

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 PPP 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 December 2017, Kewei and Yuezhan Investment, wholly-owned subsidiaries of the Company, as the sub-preferential limited partner and the deferred limited partner, respectively, entered into the Partnership Agreement with Guangdong Utrust, as the preferential limited partner, and BOC & UTRUST, as the general partner, in relation to the establishment of the Fund. Pursuant to the partnership agreement, the Fund is expected to have an aggregate capital commitment of RMB1,501 million, among which, Kewei and Yuezhan Investment shall commit to contribute RMB200 million and RMB100 million, respectively, while Guangdong Utrust shall commit to contribute RMB1,200 million and the general partner shall commit to contribute RMB1 million. The purpose of the Fund shall be to invest in potential WTE projects. Please refer to the announcement of the Company dated 5 December 2017 for further details. As at the date of this annual report, the Fund has not been utilized.

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.

EVENTS AFTER BALANCE SHEET DATE

Acquisition of 100% equity interest in Dongguan Lujia

On 23 March 2018, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Dongguan Lujia, a company established in the PRC with limited liability at a consideration of RMB93,000,000 (approximately HK$115,320,000). Dongguan Lujia holds 35% equity interest in Dongguan Xindongyue Environmental Company Limited, a company established in the PRC with limited liability, which currently owns the only landfill project for fly ash (under construction) in Dongguan City. Please refer to the announcement of the Company dated 23 March 2018 for further details. As at the date of this annual report, the transaction has not been completed.

Acquisition of 41% equity interest in Johnson

On 23 March 2018, the Group entered into an agreement in relation to the acquisition of 41% equity interest in Johnson, a company incorporated in Hong Kong at a consideration of HK$184,500,000. Johnson is principally engaged in the provision of cleaning and waste management services for government, commercial, and industrial markets in Hong Kong. Please refer to the announcement of the Company dated 23 March 2018 and 6 April 2018 for further details. This transaction has been completed on 27 March 2018.

UPDATE ON CHINA SCIVEST WTE PLANT

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the year ended 31 December 2017, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

The philosophy of Canvest is to value environmental protection and social responsibilities while achieving economic benefits. As one of the leading waste-to-energy providers in the PRC, we strongly believe we need to lead the change to deliver a sustainable society for the future. We continue to disclose and discuss the key performance of the Group in environmental, social and governance areas to stakeholders through engaging AECOM Asia Company Limited, an independent sustainability reporting consultant, in preparing the Environmental, Social and Governance Report (the "Report") for this year. We report our management approach, strategy, performance and progress, focusing on the following aspects of sustainability: environmental protection, operating practices, human rights, and community involvement.

The Report covers the sustainability performance of all our operating projects for the period from 1 January 2017 to 31 December 2017 ("FY2017"). Previous financial year's information and data are also included for comparison purposes. Employees of contractors and subcontractors are not included as part of our workforce. The report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 27 to the Main Board Listing Rules, and with reference to certain selected parameters of the Global Reporting Initiative (GRI) Standards. 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 so that each year we can make this Report more valuable to our stakeholders. Please send your comments or suggestions to us via info@canvest.com.hk.

2. KEY STATISTICS AND RECOGNITIONS IN 2017

Processed
3,527,221
tonnes of MSW

Reduced
1,255,051
tonnes of CO_2 equivalent emission

Saved
503,430
tonnes of standard coal

Sold
1,272,904
MWh of green electricity

Equivalent to
1,035,818
households benefited by green electricity

8
WTE projects under operation in 2017

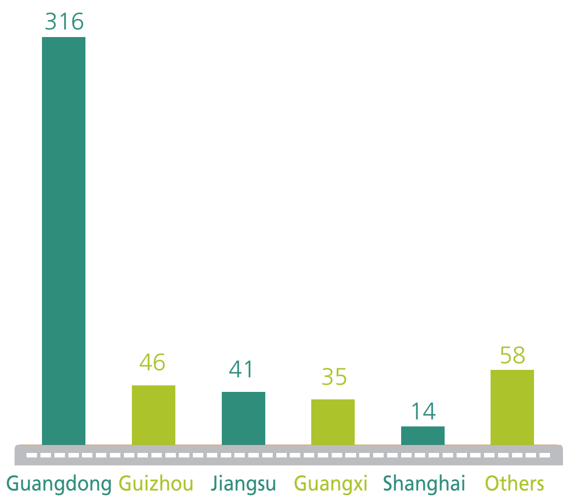
3. OUR SUSTAINABLE OPERATIONS

As a responsible enterprise, we are continuing our focus on enhancing the efficiency in resource utilization and environmental performance of our projects through technological upgrade and quality assurance process.

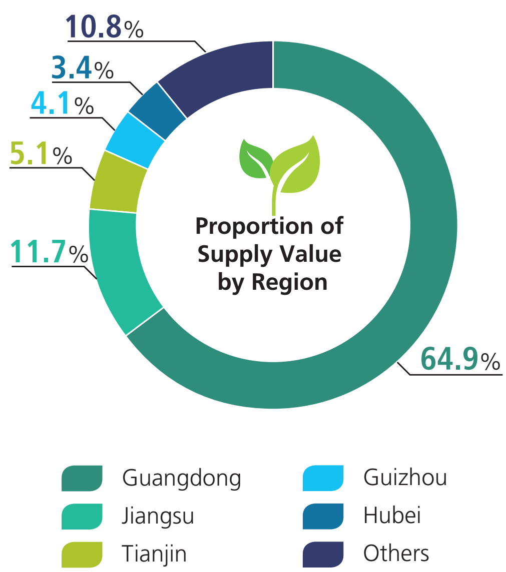
Supply Chain Management

Through our Procurement Department, the Group engaged 510 suppliers with a total supply value of approximately RMB199 million in 2017. 62% of our suppliers are located in Guangdong Province, 9% from Guizhou Province, 8% from Jiangsu Province, 7% from Guangxi Autonomous Region and the remaining 14% of suppliers are scattered over 19 other provinces/regions in the PRC.

Number of Suppliers by Region



Proportion of Supply Value by Region



Adhering to high levels of transparency and accountability, the Group has adopted standardized procedures, including the 'Tender Management Procedure', 'Business Contract Management Procedure' and 'Supplier Management Procedure', to ensure fair and transparent management of suppliers and contractors. The primary services provided by our suppliers include equipment and raw materials provision, project design and construction, equipment installation and maintenance, cleaning and security.

To help us reach our sustainability goals, stringent tender processes are in place for procuring third-party contractors. The procurement process involves assessment of the tenders' quality of service and financial capability, as well as their track records related to compliance, occupational health and safety, and environmental practices. This forms a key part of the tender process and ensures that our contractors align with our demands for sustainable management and operations. Along with promoting responsible practices through our supply chain, we also require our staff to conduct themselves with the highest standards of integrity and professionalism.

After contracts are rewarded, monitoring and evaluation continue throughout the course of our relationship with the contractors. We have on-site management team to conduct periodic monitoring of the contractors and their subcontractors to ensure compliance with all applicable environmental, and occupational health and safety requirements. On top of compliance with laws and regulations, the contractors and suppliers are contractually required to adhere to Canvest's quality control measures and standards.

Moreover, quality assurance processes are carried out before we use any purchased materials, thereby ensuring that all nonconformities and potential impacts are identified at an early stage. Standardized procedures are in place for handling the unqualified materials properly.

WTE Production Control

We strictly monitor the WTE process to ensure all units have met their respective requirements, as well as documenting the nonconformities in WTE production and incidents, including personal injury and accidents due to equipment, fire or environmental factors. These information help our operations management team assess the performance of the WTE production process and to determine the precautionary and corrective actions to rectify the nonconformities.

Furthermore, we strive our best to protect the company's intellectual property rights, as well as complying with all applicable laws and regulations, including observing the intellectual property rights of our suppliers and vendors. Therefore, the Group has implemented standardized procedures to ensure the accuracy of information and the privacy of our stakeholders.

Internal Audit and Risk Management

Steered by our corporate goal in creating a sustainable growth, our businesses constantly seek out innovations and new ways of improving the ways they function. In accordance with our 'Internal Audit Control Procedure', internal audits for the Group's quality, environment, occupational health and safety management system are conducted at least once a year to review the effectiveness and suitability of the company's management system and to ensure compliance with the relevant standards and regulations. Internal audit is also an effective tool for preventing corruption.

To improve the risk awareness of all employees, the Group also conduct annual risk assessments by following our 'Risk Identification, Evaluation and Control Procedures' to identify and assess the potential risks found within the production and operation processes of the WTE plants. The risk assessment identifies perceived risks to the company, analyzes the risk sources, and evaluates the possible risk levels, thereby enabling us to take appropriate mitigation measures in a timely fashion.

4. OUR ENVIRONMENT

Environmental excellence and compliance are hallmarks of sustainability and core elements of our management framework. We continuously improve our resource management, practice excellence in our management of fuel and water resources, reduce our waste generation, reduce and eliminate release of pollutants wherever possible. 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 FY2017, 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 was awarded "Grade AAA Innocuous Waste Incineration Plant" by the Department of Housing and Urban-Rural Development of Guangdong Province, and China Scivest was accredited as "Cleaner Production Enterprise" by the Guangdong Province Cleaner Production Association as well as "2016 Environmental Pioneering Company" by the Dongguan Environmental Protection Bureau. In addition, Canvest was accredited as an "EcoChallenger" under the Corporate Environmental Leadership Awards 2016, organized jointly by the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited. These certifications and achievements are a recognition to our environmental performance.

Air Emissions

Flue gas, a combustion-product gas resulting from the WTE process, contains a variety of air pollutants. These include particulates, heavy metals, carbon compounds, acid and other gases. The Group continuously strive to reduce our environmental impact by putting immense emphasis in minimizing air 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 other relevant regulations.

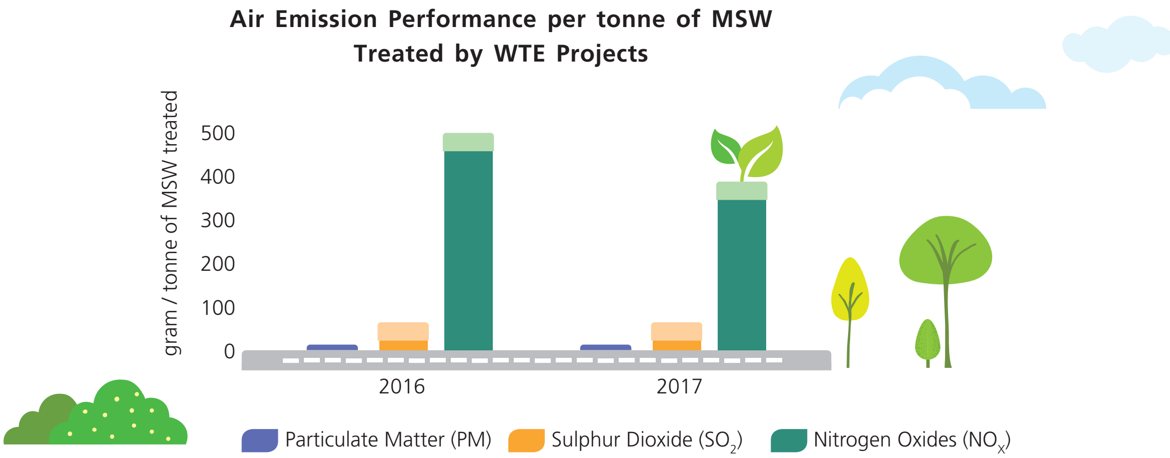
Our facilities employ sophisticated technologies to remove air pollutants associated with the WTE process. We have adopted the following flue gas treatment technologies at our WTE plants:

- Selective non-catalytic reduction (SNCR) system: Ammonia or urea is injected into the incinerator to convert nitrogen oxides (NO_x) into harmless atmospheric gases;
- Semi-dry desulfurization system: Lime slurry is sprayed into the exhaust stream using high-speed rotary atomizer to neutralize the acid gases, including sulfur dioxide and hydrochloric acid;
- Activated carbon adsorption system: Activated carbon is added into the exhaust stream where gaseous contaminants such as dioxins and mercury are adsorbed to the activated carbon, and are subsequently removed in the bag filters; and
- Baghouse: The system consists of arrays of gas filter bags made by pure polytetrafluoroethylene (PTFE) material for capturing particulate matter and fly ash in the flue gas stream.

In addition, stringent operational controls are implemented to suppress the formation of dioxins. 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 NO_x emission even complied with the European Standards (Directive 2010/75/EU on Industrial Emissions and its relevant Annexes/Amendments). Real-time flue gas emission data are displayed at the gate of each of our WTE plants and online platform for public disclosure.

In 2017, the total emission of particulate matter, sulphur dioxide and nitrogen oxides are 46 tonnes, 228 tonnes and 1,374 tonnes respectively.

Air Emission Performance per tonne of MSW Treated by WTE Projects



Waste Management

Effective waste management is a key focus for our WTE operations. 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

Fly ash, which is residue collected from the flue gas treatment system, is classified as hazardous waste due to the high heavy metal concentrations. Fly ash stabilization treatment is required to ensure compliance with "Standard for Pollution Control on Landfill Site of Municipal Solid Waste (GB16889-2008)" prior to disposal at a designated landfill. The Group strictly follows the requirements stated in the "Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001)", and employs reliable contractors to carry out fly ash collection, transportation and treatment.

II. Solid Waste Treatment Measures

To create a sustainable business, the Group is committed to waste reduction and waste diversion through reuse or recycling. We adopt the latest advanced international technologies and operation control expertise to maximize the combustion efficiency of our MSW incineration process and achieve complete combustion to reduce the production of fly ash and solid residues. In addition, all of the bottom ash produced after MSW incineration, are collected by third-party contractors for integrated utilization. The scrap metal mixed with bottom ash is separated and collected for recycling while the bottom ash is reused as raw alternative material to produce concrete blocks.

III. Sludge Treatment Measures

Other than fly ash and bottom ash, another by-product from our WTE plants is the sludge generated from the leachate treatment process. We use sludge dewatering equipment to remove the excess water content in the sludge, and subsequently the dewatered sludge is incinerated along with the MSW in our WTE plants while the separated wastewater is return back to the leachate treatment station.

Waste Disposed from WTE Projects in 2017

	Waste generated (tonne)	Intensity (tonne/MWh of electricity generated)
Hazardous Waste	57,085	0.045
Non-hazardous Waste*	691,045	0.543

* All non-hazardous waste are collected by third-party contractors integrated utilization.

Wastewater Treatment

Prior to the incineration process, the MSW delivered to our WTE Plants are dewatered at the storage pool. The leachate generated during this process is then transferred to an on-site leachate treatment station, where the leachate goes through a pre-treatment process, an up-flow anaerobic sludge bed reactor, membrane bioreactor, nano-filtration membranes, and reverse osmosis system. The treated wastewater complies with "The Reuse of Urban Recycling Water — Water Quality Standard for Industrial Uses (GB/T19923-2005)" and "The Reuse of Urban Recycling Water — Water Quality Standard for Urban Miscellaneous Water Consumption (GB/T18920-2002)" prior to being reused as circulatory cooling water or landscape irrigation water within the plant. For FY2017, 273,735 tonnes of leachate were treated and 5,290 tonnes of chemical oxygen demand were removed.

Odor Control

We employ best operating practices to eliminate odor emission from our operations, and to ensure compliance with the "Emission Standards for Odor Pollutants (GB14554-1993)". Our plant rooms in the WTE facilities have adopted a fully enclosed structural design to prevent spreading of odors. From the access ramp to the garbage unloading platform and storage pool, these areas are maintained at a negative pressure in which the air is extracted from the plant rooms towards the incinerator and is used as a combustion gas. During incineration, the odorous pollutants are burned, oxidized and decomposed at high temperature. When the incinerator is shut down for maintenance, the odorous air is treated by our biological deodorization system.

Noise Control

We strive to avoid conditions that cause concern for neighbors and nearby communities, and therefore ambient noise control measures are implemented in each of our WTE plants. For example, a noise level requirement is stated in the equipment procurement contract to minimize noise pollution at source. For high noise equipment, muffler, noise isolation enclosure and vibration damper are provided to reduce the noise impact. Furthermore, a lot of thought and careful planning went into our design of the WTE plants such that the noise source is relatively centralized. Other than using soundproofing material for building construction, we also strengthen the landscaping works on-site to create a natural sound barrier for our plants. By implementing the above measures, our WTE plants comply with the "Hygienic Standard for the Design of Industrial Enterprises (GBZ1-2010)" and the "Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)".

Use of Resources

The primary resources used during WTE process are fuel oil, natural gas and water. Our WTE plants adhere to the resource utilization strategies and requirements specified in the 'Social Responsibility Guidelines' to ensure the resources and materials are used effectively.

I. Fuel

In FY2017, total fuel oil and natural gas used by the Group amounted to 282 tonnes and 208 tonnes respectively, as well as 172,327,000 kWh of internal electricity consumption. We are continuing our focus on resource preservation to reduce the usage of fuels. Other than carrying out regular equipment inspection and maintenance works to ensure all systems operation in an efficient manner, the Group also collects the fuel and electricity usage of the major equipment, and analyze their energy consumption regularly. These analyses are used for monitoring the equipment performance, as well as developing energy-saving plans to improve the efficiency of equipment and reduce the energy consumption in our WTE plants.

Energy and Material Consumption of Operating Projects in 2017

Energy Consumed (GJ)	2017 Consumption
Fuel Oil[a]	11,396
Natural Gas[b]	9,987
Electricity	620,378
Total energy consumed	641,761
Energy intensity (energy consumed (GJ)/tonne of MSW treated)	0.182

Key Material Used (tonne)	2017 Consumption
Lime	17,862
Activated carbon	1,471
Urea	2,136
Ammonia water	1,603
Total material used	23,072
Intensity (material consumed (kg)/tonne of MSW treated)	6.541

a: Assume the energy content of fuel oil to be 40.4 GJ per tonne

b: Assume the energy content of natural gas to be 48 GJ per tonne

II. Water

Water is supplied via the government water supply network for our WTE Plants' operation and employees' daily usage. As part of our commitment to responsible environmental stewardship, we work to use water sparingly and responsibly in our operations. To conserve water resources, we use recirculating system instead of single pass once-through system as the cooling water system for our processes as much as possible to enhance the water recycling rate. Process wastewater generated from the WTE plants are treated at the on-site treatment station, and is subsequently reused in our operations, which greatly reduces the use of fresh water. We also encourage all employees to practice water-saving measures to reduce water usage. In FY2017, the water consumption and intensity are 6,380,293 m^3 and 5.012 m^3/MWh respectively.

The Environment and Natural Resources

Environmental stewardship is the core of our business. How we manage potential environmental impacts and opportunities is a critical element of being a sustainable enterprise. As such, we conduct assessments according to our 'Environmental Factors Identification, Evaluation and Control Procedures' to identify, evaluate and control the potential impacts associated with our operations. We proactively cooperate with all levels of supervision and monitoring departments, including local environmental protection administrative departments and industry administrative departments.

GHG Emissions

WTE process for MSW treatment is widely recognized as a source of greenhouse gas (GHG) mitigation. Our WTE plants contribute to the reduction of GHGs in the environment by diverting solid waste from landfills where it would have emitted methane for decades, even when factoring in landfill gas collection, and also by generating energy that otherwise would likely be generated by fossil-fueled facilities. We report our GHG emissions in form of CO_2 equivalent emission from fossil fuel and electricity used for the WTE process, emissions from combustion of MSW, and methane emitted from the leachate treatment process.

In FY2017, the amount of treated MSW amounted to 3,527,221 tonnes, representing an increase of 48.9% as compared with the previous year. The Group has supplied 1,272,904,000 kWh of green electricity onto the grid, saving 503,430 tonnes of standard coal and reducing 1,255,051 tonnes of carbon dioxide equivalent emission.

GHG Emission in FY2017

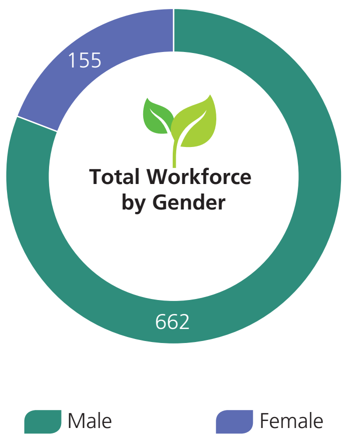
GHG Emissions	Main Sources	2017 Emission
Scope 1 (tonne CO_2 equivalent)	GHG produced from waste incineration and leachate treatment process; Fuel oil used for operation	2,163,801
Scope 2 (tonne CO_2 equivalent)	Non-renewable electricity used for operation	101,230
Scope 3 (tonne CO_2 equivalent)	Business travel by employees*	158
Total GHG Emissions (tonne CO_2 equivalent)		2,265,189
GHG Intensity (tonne CO_2 equivalent/tonne of MSW treated)		0.643

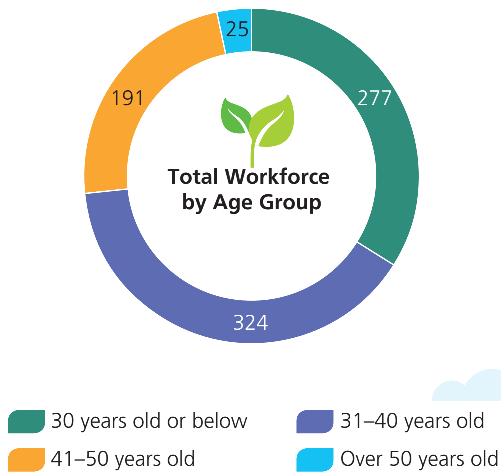
* The calculation method for GHG emission from air travel is based on the International Civil Aviation Organization (ICAO) Carbon Emissions Calculator.

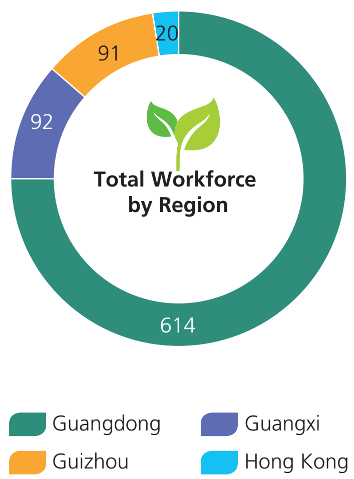
5. OUR PEOPLE

As the largest non-state-owned WTE provider in Guangdong Province, we cannot play this important role without the contributions of our employees. The success of each employee is what enables Canvest to succeed, and we strive to give our employees the tools they need to develop and excel in their careers. We also care about the wellness of employees by providing a decent working condition and competitive benefits to our staff. Other than the basic employee benefits such as endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, Canvest also provide supplementary benefits including accident insurance, transport subsidies, meal allowances, holiday allowances, and medical examinations.

As of 31 December 2017, our operating projects employed a total of 817 staff, comprising a big proportion of technicians and production workers.







Diversity and Equal Opportunities

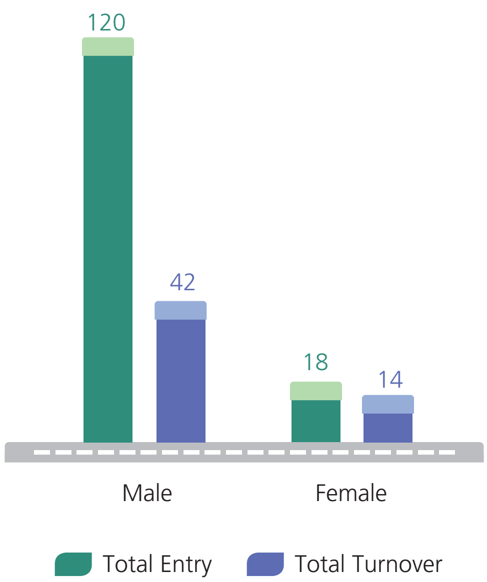
Diversity, in gender, age and culture, increases our Group's flexibility and responsiveness. We are committed to an employment environment free from discrimination by strictly adhering to labor legislation and complying with all relevant labor practices. Talents are recruited irrespective of ethnic origin, gender, age, religion, political affiliation and nationality by following the recruitment system and audit requirements specified in the Group's 'Social Responsibility Guidelines'. We also promote social integration through policies and measures to facilitate the employment of persons with disabilities in the workplace.

The Group strives to provide a work environment free of discrimination and 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.

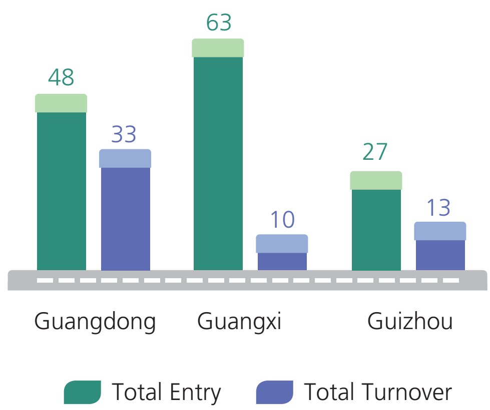
Engagement and Retention

The Group emphasize engagement as a well to empower employees. We have set up an internal communication platform allowing our employees to raise questions and concerns, as well as providing feedback to their problems. For example, organizing staff meetings and setting up employee suggestion box systems provide an opportunity for employees to share information and engage in the decision-making process. Meanwhile, we regularly publish internal publications to update our employees on the company's latest development and to serve as a communication channel between the company and our employees. The Group also carries out annual performance reviews to recognize employees for their efforts and accomplishments.

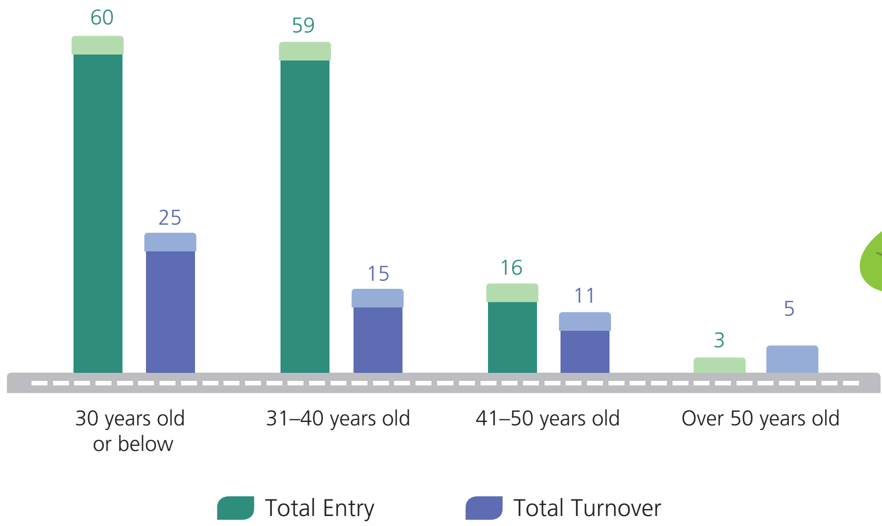
Employee Turnover Statistics by Gender



Employee Turnover Statistics by Region



Employee Turnover Statistics by Age Group



Development and Training

Beyond identifying and retaining the best talents, we offer employees the opportunity to develop their knowledge and skills. We provide staff with a comprehensive training program to foster their professional growth. Our goal is to provide continual learning opportunities in areas like professional development, leadership, technical training and compliance training.

We strive to create an environment where our employees are empowered to grow professionally and to develop rewarding careers. All employees are provided with health and safety trainings, specialized technical trainings, and management system trainings. In FY2017, the average annual training hours per employee reached 64 hours.

Employee Training by Gender and Employee Category

Employee Statistic in FY2017	Average training hours per person
By Gender	
Male	76.20
Female	36.36
By Employee Category	
Senior Management	36.89
Middle-level Management	41.38
General and Technical Staff	67.05

Health and Safety

Workers at the WTE plants must be constantly vigilant when working with the sophisticated equipment because it can cause serious harm if operated improperly, and therefore it is our goal to continually improve how we manage our health and safety performance throughout the Group. In FY2017, the injury rate per 1,000 employees remained at a low level of around 6.12.

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, staff education and training are regularly provided to improve staff well-being and their preparedness for emergencies. We equip our employees with adequate personal protective equipment, and have designated safety management personnel to review and reinforce the health and safety policies. The Group also arranges the local fire services department to carry out training on workplace fire safety and emergency responses to the employees on an annual basis.

The Group has implemented emergency response plans and guidelines for managing possible accidents and disasters that may occur within our WTE plants, including fire and explosion, personal injury, extreme weather and natural disasters, environmental incident, and power outage. We also 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.

Health and Safety Performance

	Key Statistics in FY2017
Number of Fatality	0
Number of Disabling Injury	0
Number of Work-related Injury	5
Injury Rate per 1,000 employees*	6.12
Number of Occupational Disease	0

* Injury Rate per 1,000 employees is calculated by: (Number of occupational injuries / Employment size) × 1,000

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. In FY2017, no concluded legal cases regarding corrupt practices were brought against the Group.

A whistle-blowing policy has also been adopted since the Listing Date. Company procedures on reporting corruption are in place, allowing our employees to report to the Audit Committee or the Corporate Governance Committee of any suspected activities. Committees will conduct internal investigations, appoint external auditors or report the cases to regulatory authorities if necessary.

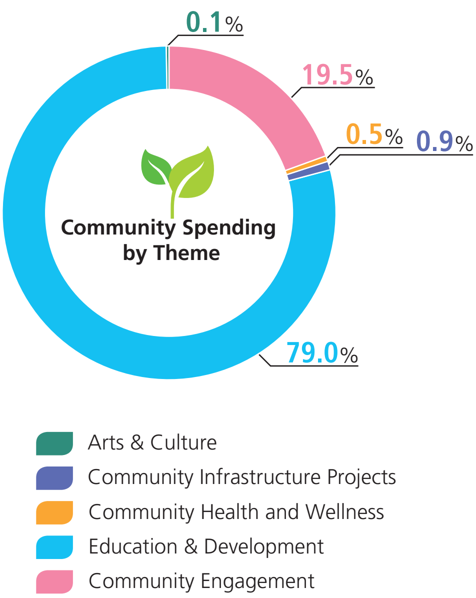
6. OUR COMMUNITY

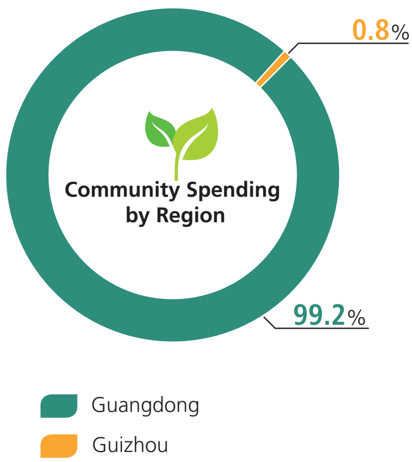
Our obligations as a responsible company extend to the local communities we service and to wider society. The Group commits to contribute to the well-being of our community, as well as to educate the society and general public on what we do, so that together we can increase the awareness of environmental protection and sustainable living.

Community Outreach

Education is important and is considered a social equalizer, with this in mind, we invites the public to visit our WTE plants on a monthly basis and we share experience in environmental protection issues to raise public awareness in the community. Each of our WTE plants has a dedicated exhibition venue incorporating different multimedia elements to illustrate information related the environmental science and the advanced incineration process. In FY2017, over 9,200 people visited our WTE plants.

We also encourage our employees to get involved and support community projects and good causes. In FY2017, we sponsored and donated on community infrastructure projects, charities, poverty reduction, disaster relief, and environmental advocacy. In addition, our new WTE projects create positive indirect economic impact on the local community by increasing employment opportunities for the local residence. For example, our WTE plants in Zhanjiang and Xingyi, which are in full operation in FY2017, as well as the WTE plants in Zhongshan (project under management agreement) and Laibin, which commenced operation in FY2017, create a total of 194 job opportunities for the local community.





Stakeholder Engagement

While our core competencies center on effective operations of our WTE projects, we continue to work with a broad range of stakeholders to achieve a sustainable environment for our community. We strive to achieve corporate sustainability through engaging our employees, customers, suppliers, and local regulatory authorities, thereby enabling us to identify high priority issues and the associated sustainability concerns within all our operating project.

To better understand the concerns of every stakeholder group, we have set up various communication platforms to ensure that a wider range of voices can be well received. For example, we arrange regular staff meetings to have direct communication with our employees, and publish internal magazines and journals to update our employees on the latest information regarding the Group's policies, regulations and business development. We also convey our sustainability message to our supply chain through our 'Contractor Management Procedures' and 'Supplier Management Procedures'.

For our customers, other than daily communication and regular meetings, the Group also issues customer satisfactory questionnaire to the major customers at least once every six months to collect feedback and measure customer satisfaction for determining our performance and improving our business. Moreover, we also have regular meetings with the relevant regulatory authorities for reporting our latest operation and providing updates to the public.

7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

The Canvest ESG Report 2017, which provides major updates on Canvest Environment Protection Group Company Limited's latest performance on sustainability, is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 27 to the Main Board Listing Rules of The Hong Kong Stock Exchange, and with reference to selected parameters of the Global Reporting Initiative (GRI) Standards. The following tables provide an overview on the General Disclosures, and Key Performing Indicators (KPI) reported, which are referred to the relevant report chapter(s) and/or supplemented with additional information.

ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment The Group has established the following standardized procedures to mitigate the environmental impacts associated with our operations: • 'Resource Control Procedures' • 'Environmental Control Procedures' • 'Production & Operation Management Procedures'
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

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
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 The Group has established the following standardized procedures to ensure effective use of resources: • 'Resource Control Procedures' • 'Social Responsibility Guidelines — Requirements on the Use of Electricity' • 'Social Responsibility Guidelines — Requirements on the Use of Water'
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 finished product is electricity, hence no packaging material is used in our operation.

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
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 The following standardized procedures are established to minimize the impacts on environmental and natural resources: • 'Resource Control Procedures' • 'Environmental Factors Identification, Evaluation and Control Procedures'
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: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People Our recruitment process strictly follows the Employment Ordinance. Standardized procedures are also established to provide guidance on the company's employment and labour requirements. Relevant company policies include: • 'Employment Procedures' • 'Anti-discrimination Procedures' • 'Human Resources Control Procedures'
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

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People The Group has established the following standardized procedures to provide a safe working environment for our employees: • 'Safety and Health Management Procedures' • 'Emergency Response Plans'
KPI B2.1	Number and rate of work-related fatalities.	Our People
KPI B2.2	Lost days due to work injury.	Our People Work injury statistics are presented in the form of Injury Rate.
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 Induction training, job-specific training, health and safety trainings and management system trainings are provided to our employees to enhance their knowledge, skills and qualifications. Standardized procedures are also established to provide guidance on the training system, including: • 'Social Responsibility System Training Management Procedures' • 'Social Responsibility Guidelines — Induction Training System' • 'Social Responsibility Guidelines — Safety Knowledge Training'

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
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: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People Our recruitment process strictly follows the Employment Ordinance to ensure child and forced labour are prevented.
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

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Sustainable Operations The Group carries out regular evaluations to ensure compliance with the relevant laws and regulations. Relevant company policies include: • 'Monitoring and Compliance Evaluation Procedures' • 'Mitigation Measures Control Procedures'
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product recall is not applicable to Canvest's activities.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	No complaint was received from the municipalities and our customers.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Sustainable Operations Company policies are in place to ensure the privacy of our stakeholders, including: • 'Document Control Management Procedures' • "Information Exchange Management Procedures'
KPI B6.4	Description of quality assurance process and recall procedures.	Our Sustainable Operations Relevant company policies: • 'Warehouse Materials Management Procedures' • "Unqualified Items Management Procedures'
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Sustainable Operations The Group implements strict procedures for document management to ensure the accuracy of information and the privacy of our stakeholders.

Aspects, General Disclosures and KPIs	Description	Relevant Chapter(s) in ESG Report 2017 and/or other explanation(s)
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our People The Group strictly forbids activities in relation to bribery, extortion, fraud and money laundering. The following standardized procedures are also established to ensure compliance with the relevant laws and regulations: • 'Internal Audit Control Procedures' • 'Anti-Corruption and Bribery Management Procedures'
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
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 Relevant company policies: • 'Information Exchange Management Procedures' • 'Customer Service Management Procedures' Please also refer to the Annual Report 2017 for details.
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

GRI Content Index

Disclosures Number	Disclosure	Relevant Chapter(s) in ESG Report 2017 or other references/Explanation
GRI 102: General Disclosure 2017		
Organization Profile		
102-1	Name of the organization	About this Report; Annual Report 2017
102-2	Activities, brands, products, and services	About this Report; Annual Report 2017
102-3	Location of headquarters	Annual Report 2017
102-4	Location of operations	Annual Report 2017
102-5	Ownership and legal form	Annual Report 2017
102-6	Markets served	Annual Report 2017
102-7	Scale of the organization	Annual Report 2017
102-8	Information on employees and other works	Our People
102-9	Supply chain	Our Sustainable Operations — Supply Chain Management
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Our People
102-17	Mechanisms for advice and concerns about ethics	Our People
Governance		
102-29	Identifying and managing economic, environmental, and social impacts	Our Sustainable Operations; Our Environment — The Environment and Natural Resources
102-30	Effectiveness of risk management process	Our Sustainable Operations — Internal Audit and Risk Management
102-33	Communicating critical concerns	Our People — Engagement and Retention
102-35	Remuneration policies	Our People — Engagement and Retention

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Disclosures Number	Disclosure	Relevant Chapter(s) in ESG Report 2017 or other references/Explanation
Stakeholder Engagement		
102-42	Identifying and selecting stakeholders	Our Community — Stakeholder Engagement; Annual Report 2017
102-43	Approach to stakeholder engagement	Our Community — Stakeholder Engagement; Annual Report 2017
Reporting Practices		
102-46	Defining report content and topic boundaries	About this Report
102-50	Reporting period	About this Report
102-51	Date of most recent report	About this Report
102-52	Reporting cycle	About this Report
102-53	Contact point for questions regarding the report	About this Report
GRI 103: Management Approach 2017		
103-2	The management approach and its components	Our Sustainable Operations; Our Environment; Our People
103-3	Evaluation of management approach	Our Sustainable Operations; Our Environment; Our People
GRI 200: Economic 2017		
Management Approach		
201-3	Defined benefit plan obligations and other retirement plans	Our People
Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage.	The compensation of majority of our employees is higher than the minimum wage rule.

Disclosures Number	Disclosure	Relevant Chapter(s) in ESG Report 2017 or other references/Explanation
GRI 300: Environment 2017		
Materials		
301-1	Materials used by weight or volume	Our Environment — Use of Resources
301-2	Recycled input materials used	Our Environment — Use of Resources
Energy		
302-1	Energy consumption within the organization	Our Environment — Use of Resources
302-3	Energy intensity	Our Environment — Use of Resources
Emissions		
305-1	Direct (Scope 1) GHG emissions	Our Environment — Reduction of GHGs
305-2	Energy indirect (Scope 2) GHG emissions	Our Environment — Reduction of GHGs
305-3	Other indirect (Scope 3) GHG emissions	Our Environment — Reduction of GHGs
305-4	GHG emissions intensity	Our Environment — Reduction of GHGs
305-5	Reduction of GHG emissions	Our Environment — Reduction of GHGs
305-7	Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions	Our Environment — Air Emission
Effluents and Waste		
306-1	Water discharge by quality and destination	Our Environment — Wastewater Treatment
306-2	Waste by type and disposal method	Our Environment — Waste Management
306-4	Transport of hazardous waste	Our Environment — Waste Management
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Our Environment

Disclosures Number	Disclosure	Relevant Chapter(s) in ESG Report 2017 or other references/Explanation
GRI 400: Social 2017		
Employment		
401-1	New employee hires and employee turnover	Our People
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our People
401-3	Parental leave	Our People
Training and Education		
404-1	Average hours of training per year per employee	Our People — Development and Training
404-2	Programs for upgrading employee skills and transition assistance programs	Our People — Development and Training
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	Our People – Diversity and Equal Opportunity

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.

Risks	Nature
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 2017, 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 2017 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 62 to 67 of this annual report.

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

Chairlady, Deputy Chairman and Chief Executive Officer

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

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

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

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

Independence of the Independent Non-executive Directors

During the year ended 31 December 2017 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 2017, 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
Feng Jun*	Non-executive Director	A, B
Lui Ting Cheong Alexander	Non-executive Director	A
Lai Yui	Non-executive Director	A
Sha Zhenquan	Independent Non-executive Director	A
Chan Kam Kwan Jason	Independent Non-executive Director	A
Chung Wing Yin	Independent Non-executive Director	A
Chung Kwok Nam*	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
* Appointed on 31 March 2017

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 6 meetings. Each Director's attendance record is set out as follow:

	Number of attendance/meeting held in year 2017					
Name of Directors	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General meeting
Lee Wing Yee Loretta	6/6	–	–	–	1/1	1/1
Lai Kin Man	6/6	–	–	–	–	1/1
Yuan Guozhen	6/6	–	–	–	–	1/1
Lai Chun Tung	6/6	–	–	–	–	1/1
Feng Jun	4/6	–	–	–	–	1/1
Lui Ting Cheong Alexander	6/6	2/2	–	–	–	1/1
Lai Yui	6/6	–	–	–	–	1/1
Sha Zhenquan	6/6	1/1	1/1	1/1	1/1	1/1
Chan Kam Kwan Jason	6/6	1/1	1/1	1/1	1/1	1/1
Chung Wing Yin	6/6	1/1	1/1	1/1	1/1	1/1
Chung Kwok Nam	4/6	–	–	–	–	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 2017.

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 2017.

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 2016, annual report of 2016, interim results of 2017 and interim report of 2017;

— 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 2017 AGM. No change of the auditors of the Company for the preceding three years. For the year ended 31 December 2017, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2017 HK$'000	2016 HK$'000
Fee for audit services	**2,700**	2,700
Fee for non-audit services	**944**	375

RESPONSIBILITY IN FINANCIAL STATEMENTS

Directors have acknowledged their responsibilities for the preparation and the true and fair presentation of the consolidated financial statements in accordance with Hong Kong Financial Reporting Standard, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made, 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 2017;

— Confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2016; and

— Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2017.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2017 is set out below:

Remuneration	Number of person
Nil to HK$1,000,000	—
HK$1,000,001 to HK$2,000,000	6
HK$2,000,001 to HK$3,000,000	—
HK$3,000,001 to HK$4,000,000	1

During the year, remuneration committee recommended the remuneration of the newly appointed directors to the Board.

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:

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

During the year, the nomination committee held a meeting in March and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Mr. Lai Chun Tung, Mr. Lui Ting Cheong Alexander, Mr, Lai Yui and Mr. Chung Wing Yin, and advising the Board on the re-election of such retiring Directors at the 2018 AGM. Nomination committee recommended the selection of newly appointed directors to the Board, review the structure, size and composition of the Board and assess the independence of independent non-executive directors.

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 in March 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. During the year, the Board reviewed the effectiveness of the internal control and risk management system and considered it is effective and adequate.

The internal audit department of the Group works with the external professional consultancy company accountable and reports directly to the audit committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and senior management in complying with the regulatory requirements and guidelines, 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 65 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).

2017 ANNUAL GENERAL MEETING

At the 2017 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 2017.

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 2017 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 152 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 2017 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 2018 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 43, 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 38, 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 52, 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 43, 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, a director of Zhanjiang Yuefeng since its establishment in April 2013 and the legal representative, general manager and a director of Yuefeng Yuezhan Environmental Investment (Guangdong) Company Limited since its establishment in February 2017. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 10th, 11th and 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), and a standing member of the 12th and the 13th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議東莞市委員會). 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 54, 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 listed on the Main Board of Hong Kong Stock Exchange since March 2018 (stock code: 807) 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 38, was appointed as a non-executive Director on 24 September 2014. He is a managing director of Olympus Capital Holdings Asia where he co-head an environmental investment in Asia. He has been with Olympus Capital Holdings Asia since October 2008. He has also been the director of Li Tong EnviroTech Holdings Limited, a leading global reverse supply chain service provider to technology, electronics, and telecom sectors since November 2015. 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 portfolio company of Olympus Capital Holdings Asia. 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 43, 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 is currently serving as the Chief Executive Officer 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 and a bachelor of arts degree (both magna cum laude) in May 1997.

Independent Non-executive Directors

Professor Sha Zhenquan (沙振權), aged 57, 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 44, 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. He was appointed as the independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) from November 2017. Each of Brockman Mining Limited, AMCO United Holding Limited, Frontier Services Group Limited, Concord New Energy Group Limited, Lajin Entertainment Network Group Limited and 1957 & Co. (Hospitality) 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 40, 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 66, 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 50, 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 41, 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 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 44, 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 48, 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 49, 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 50, 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 49, 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 27 years' experience in energy sector.

REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holdings. Its operating subsidiaries are principally engaged in the provision of environmental hygiene and related services and operation and management 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 2017 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 2017 are set out in the consolidated statement of profit or loss on page 85 of this annual report.

Business review of the Group during the year ended 31 December 2017, 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 12 to 23 of this annual report.

DIVIDENDS

The Board has proposed the declaration of a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2017 (2016: HK1.6 cents per ordinary share). If approved by shareholders, the total dividend of 2017 was HK3.3 cents per share.

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2017 are set out in note 24 to the consolidated financial statements.

As at 31 December 2017, the Company had 2,455,332,169 shares in issue.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2017 are set out on page 90 of this annual report.

As at 31 December 2017, the reserves of the Company available for distribution to shareholders amounted to HK$2,756.5 million (2016: HK$1,293.1 million).

CHARITABLE DONATIONS

The total amount of charitable donations made by the Group during the year ended 31 December 2017 was HK$2.2 million.

USE OF THE NET 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 2017, HK$1,068.5 million was used. Details of the use of proceeds during the year ended 31 December 2017 are set out in the management discussion and analysis on pages 12 to 23 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017, the property, plant and equipment of the Group amounted to approximately HK$1,519.1 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2017 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 2017 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 2017 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 2.24 to the consolidated financial statements.

FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2017 and the 4 preceding financial years is set out on pages 149 to 150 of this annual report.

DIRECTORS

The list of Directors of the Board is set out on page 51 of this annual report and their biographical details are set out on pages 62 to 67 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Mr. CT Lai, Mr. Lui Ting Cheong Alexander, Mr. Lai Yui and Mr. Chung Wing Yin will retire at the 2018 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 65 to 67 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 2017 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: 1. To motivate the eligible participants to optimise their performance and efficiency; and 2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: 1. Any full-time or part-time employees of any member of the Group; 2. Any consultant or advisor of any member of the Group; 3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group; 4. Any substantial shareholder of any member of the Group; and 5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2017, 19 March 2018 and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.02%, 8.02% and 8.02% of the issued share capital of the Company as at 31 December 2017, the annual results announcement dated 19 March 2018 and as at the date of this annual report, respectively.
Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The minimum period for which an option must be held before it can be exercised	A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any option granted under the Share Option Scheme can be exercised. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.
The amount payable on application or acceptance of the option, and the period within which payments or calls must or may be made, or loans for such purposed must be paid	Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.
The basis of determining the exercise price	The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined solely by the Board and notified to a grantee and shall be at least the higher of: 1. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; 2. The average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and 3. The nominal value of a Share on the date of grant of the option.
Validity of the Share Option Scheme	10 years, from 7 December 2014 to 6 December 2024.

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, 2015 annual report, 2016 annual report, 2017 interim report and note 24 to the consolidated financial statements for further details.

Name or category of participant	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2017	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 8.02%, 8.02% and 8.02% of the issued share capital of the Company as at 31 December 2017, the annual result announcement dated 19 March 2018 and as at the date of this annual report, respectively.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 31 December 2017, 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	1,329,482,837	–	1,331,358,837	54.2%
Mr. KM Lai	–	–	10,000,000	1,329,482,837	–	1,339,482,837	54.6%
Mr. Yuan Guozhen	–	250,000	357,000	–	–	607,000	0.02%
Mr. CT Lai	–	250,000[3]	1,626,000	–	1,329,482,837	1,331,358,837	54.2%
Professor Sha Zhenquan	100,000	–	–	–	–	100,000	0.0%
Mr. Chung Kwok Nam	80,000	–	–	–	–	80,000	0.0%

Notes:

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

2. Details of share options held by the directors are shown in page 72.

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 2017, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,329,482,837[1]	—	54.1%
VISTA Co	Interest of controlled corporation	1,329,482,837[2]	—	54.1%
Century Rise	Interest of controlled corporation	1,329,482,837[3]	—	54.1%
Best Approach	Beneficial owner	1,329,482,837	—	54.1%
AEP Green Power, Limited	Beneficial owner	138,305,678[4]	—	5.6%
SIHL	Interest in controlled corporation	356,593,000[5]	—	14.5%
Shanghai Industrial Investment (Holdings) Company Limited	Interest in controlled corporation	356,593,000[5]	—	14.5%
True Victor	Beneficial owner	300,000,000[5]	—	12.2%

Notes:

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

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

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

4. AEP Green Power, Limited increased their shareholding from 128,305,678 Shares to 138,305,678 Shares on 9 June 2017, or 5.6% of the total issued share capital of the Company as at 31 December 2017.

5. True Victor is an indirect wholly-owned subsidiary of SIHL. Thrive Bloom Limited, an indirect, non-wholly owned subsidiary of SIHL, is a Shareholder holding 56,593,000 Shares, representing approximately 2.3% of the issued share capital of the Company as at 31 December 2017.

(2) Beiliu

Name	Nature of Interest	Registered capital held	Approximate percentage of shareholding
Beiliu Runtong	Beneficial owner	RMB35,350,000	20%

Note: As at 31 December 2017, the registered capital of Beiliu to be injected by Beiliu Runtong has not yet paid-in.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the convertible loan agreement entered between IFC and the Company on 20 January 2016, unless otherwise agreed in writing by IFC, the Company shall, within 10 days following the occurrence that Ms. Loretta Lee, Mr. KM Lai and Mr. CT Lai, as a Group ceases to own, directly and indirectly, at least 51% of both the economic and voting interests in the Company, prepay the outstanding principal amount of the convertible loan, together with accrued interest, the make whole premium (if any) and all other amounts payable under the convertible loan agreement. The convertible loan was fully converted to 121,096,875 conversion shares on 12 April 2017 and no outstanding convertible loan immediately after the conversion.

INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 31 December 2017, 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 2017, the Group had a total of 901 employees. The related employees' costs for the year ended 31 December 2017 amounted to HK$153.8 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 2017 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 (2016: 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 (2016: 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 118,928,900 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 2017, the largest and five largest customers of the Group accounted for less than 24% 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 34% and 60% 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 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 2017 (2016: Nil).

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 51 to 61 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 49 to 50 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

The environmental policies of the Group and its performance for the year ended 31 December 2017 are set out in the environmental, social and governance report on pages 24 to 50 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 2017 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 2017, 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 33 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 2017 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2018 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 2018 AGM.

EVENTS AFTER THE BALANCE SHEET DATE

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

On behalf of the Board

Lee Wing Yee Loretta
Chairlady

Hong Kong, 19 March 2018

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
(incorporated in Cayman Island 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 85 to 148, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, 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 matters 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. 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. 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$1,265,853,000 from these arrangements for the year ended 31 December 2017, representing 53% of the Group's total revenue. 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.	In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We 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. 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. 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, 19 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**2,397,531**	1,653,552
Cost of sales	6	**(1,578,867)**	(1,064,263)
Gross profit		**818,664**	589,289
General and administrative expenses	6	**(164,701)**	(122,904)
Other income	7	**106,596**	82,593
Other losses, net	8	**(11,406)**	(1,626)
Operating profit		**749,153**	547,352
Interest income	11	**6,438**	4,426
Interest expense	11	**(112,010)**	(88,905)
Interest expense, net		**(105,572)**	(84,479)
Profit before income tax		**643,581**	462,873
Income tax expense	12	**(79,334)**	(62,855)
Profit for the year		**564,247**	400,018
Attributable to:			
Equity holders of the Company		**564,247**	400,018
Non-controlling interests		**—**	—
		564,247	400,018
Earnings per share			
— basic (expressed in HK cents per share)	13	**24.0**	19.8
— diluted (expressed in HK cents per share)	13	**24.0**	19.8

The notes on pages 93 to 148 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**564,247**	400,018
Other comprehensive income/(loss):		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**240,508**	(172,366)
Other comprehensive income/(loss) for the year, net of tax	**240,508**	(172,366)
Total comprehensive income for the year	**804,755**	227,652
Attributable to:		
Equity holders of the Company	**804,755**	227,652
Non-controlling interests	**—**	—
Total comprehensive income for the year	**804,755**	227,652

The notes on pages 93 to 148 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Land use rights	15	**146,592**	140,441
Property, plant and equipment	16	**1,519,135**	1,201,711
Intangible assets	17	**3,883,448**	2,630,441
Long-term deposits and prepayments	21	**710,756**	295,186
Gross amounts due from customers for contract work	18	**1,027,432**	820,862
		7,287,363	5,088,641
Current assets			
Inventories	20	**2,314**	761
Trade and bills receivables	21	**260,191**	114,334
Gross amounts due from customers for contract work	18	**64,885**	55,981
Other receivables, deposits and prepayments	21	**281,595**	139,307
Restricted deposits	22	**14,786**	42,927
Cash and cash equivalents	23	**1,347,803**	618,953
		1,971,574	972,263
Total assets		**9,258,937**	6,060,904
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	**24,553**	20,342
Share premium	24	**2,697,306**	1,195,835
Other reserves	24	**694,339**	477,532
Retained earnings		**1,474,108**	1,029,334
		4,890,306	2,723,043
Non-controlling interests		**—**	—
Total equity		**4,890,306**	2,723,043

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	25	**2,797,061**	1,634,549
Convertible loan	26	**—**	407,935
Other payables	27	**106,401**	145,333
Deferred government grants	28	**109,663**	36,789
Other non-current liabilities		**3,697**	2,954
Deferred income tax liabilities	19	**316,127**	251,649
		3,332,949	2,479,209
Current liabilities			
Trade and other payables	27	**640,971**	567,123
Deferred government grants	28	**5,520**	1,329
Bank borrowings	25	**362,798**	276,837
Current income tax liabilities		**26,393**	13,363
		1,035,682	858,652
Total liabilities		**4,368,631**	3,337,861
Total equity and liabilities		**9,258,937**	6,060,904
Net current assets		**935,892**	113,611
Total assets less current liabilities		**8,223,255**	5,202,252

The consolidated financial statements on pages 85 to 148 were approved by the Board of Directors on 19 March 2018 and were signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

The notes on pages 93 to 148 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		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
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
Comprehensive income										
Profit for the year		—	—	—	—	—	—	—	400,018	400,018
Other comprehensive income										
Currency translation differences		—	—	—	—	—	—	(172,366)	—	(172,366)
Total comprehensive income for the year		—	—	—	—	—	—	(172,366)	400,018	227,652
Appropriation of statutory reserve		—	—	—	35,052	—	—	—	(35,052)	—
Interim dividend declared and paid	29	—	—	—	—	—	—	—	(22,377)	(22,377)
Issuance of shares through placement	24	342	111,055	—	—	—	—	—	—	111,397
Receipt of convertible loan	26	—	—	—	—	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
Representing:										
2016 proposed final dividend	29								32,548	
Other retained earnings									996,786	
									1,029,334	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		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
Balance at 1 January 2017		20,342	1,195,835	704,944	98,006	(68,519)	5,834	(262,733)	1,029,334	2,723,043
Comprehensive income										
Profit for the year		—	—	—	—	—	—	—	564,247	564,247
Other comprehensive income										
Currency translation differences		—	—	—	—	—	—	240,508	—	240,508
Total comprehensive income for the year		—	—	—	—	—	—	240,508	564,247	804,755
Appropriation of statutory reserve		—	—	—	48,269	—	—	—	(48,269)	—
Dividend approved in respect of the previous year	29	—	—	—	—	—	—	—	(39,285)	(39,285)
Interim dividend declared and paid	29	—	—	—	—	—	—	—	(31,919)	(31,919)
Issuance of shares through placement	24	3,000	1,015,013	—	—	—	—	—	—	1,018,013
Conversion of convertible loan	26	1,211	486,458	—	—	(71,970)	—	—	—	415,699
Balance at 31 December 2017		24,553	2,697,306	704,944	146,275	(140,489)	5,834	(22,225)	1,474,108	4,890,306
Representing:										
2017 proposed final dividend	29								49,107	
Other retained earnings									1,425,001	
									1,474,108	

The notes on pages 93 to 148 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		**643,581**	462,873
Adjustment for:			
Construction revenue arising from build-operate-transfer ("BOT") arrangement		**(1,265,853)**	(843,760)
Finance income arising from BOT arrangement		**(52,507)**	(34,202)
Depreciation of property, plant and equipment		**106,502**	70,305
Amortisation of land use rights		**3,566**	3,619
Amortisation of intangible assets		**78,123**	77,167
Interest income		**(6,438)**	(4,426)
Interest expense		**112,010**	88,905
Exchange differences		**5,251**	1,935
Loss/(gain) on disposals of property, plant and equipment		**6,155**	(309)
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)			
— Non-current prepayments		**(131,508)**	(15,420)
— Inventories		**(3,933)**	(12,674)
— Trade and other receivables		**(187,084)**	(38,685)
— Trade and other payables		**46,231**	213,598
Net cash used in operations		**(645,904)**	(31,074)
Income tax paid		**(22,324)**	(22,583)
Net cash used in operating activities		**(668,228)**	(53,657)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**(28,261)**	(28,970)
Payment for deposits for investments		**(268,025)**	(227,066)
Payments for purchase of property, plant and equipment		**(291,397)**	(381,261)
Proceeds from disposals of property, plant and equipment	30(b)	**1,699**	369
Increase in restricted deposits		**(4,567)**	(2,820)
Interest received		**6,438**	4,426
Net cash used in investing activities		**(584,113)**	(635,322)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Decrease in restricted deposits		**34,599**	111,188
Proceeds from borrowings	30(a)	**1,454,542**	821,723
Repayments of borrowings	30(a)	**(380,174)**	(421,922)
Interest paid		**(129,711)**	(89,990)
Repayment of ex-shareholders' loans of a subsidiary		**—**	(66,868)
Net proceeds from convertible loan		**—**	457,658
Issuance of ordinary shares		**1,018,013**	111,397
Dividend paid to equity holders of the Company		**(71,204)**	(22,377)
Net cash generated from financing activities		**1,926,065**	900,809
Net increase in cash and cash equivalents		**673,724**	211,830
Cash and cash equivalents at beginning of year		**618,953**	449,136
Currency translation differences		**55,126**	(42,013)
Cash and cash equivalents at end of year		**1,347,803**	618,953

The notes on pages 93 to 148 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 environmental hygiene and related 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 19 March 2018.

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 2017:

- Recognition of deferred tax assets for unrealised losses — amendments to Hong Kong Accounting Standard ("HKAS") 12, and

- Disclosure initiative — amendments to HKAS 7.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 30(a).

Apart from those disclosed above, other new/revised HKFRSs that are effective for accounting periods beginning on 1 January 2017 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 2018 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'

HKFRS 9 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 reviewed its financial assets and liabilities and is expecting there will be no significant impact on the adoption of the new standard on 1 January 2018.

The financial assets held by the Group include debt instruments currently classified as loans and receivables and measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these 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.

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. Based on the assessments undertaken to date, the Group expects it may result in 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.

This new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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 and the related literature.

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.

Management is currently assessing the effects of applying the new standards on the Group's consolidated financial statements and has identified the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue generated from the provision of services.

More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group's consolidated financial statements.

This new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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 16, 'Leases'

HKFRS 16 was issued in January 2016. It 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 the Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK$29,275,000.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

This 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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

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 rates on the dates of the transactions); and

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

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

2 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 consolidated statement of profit or loss during the financial period in which they are incurred.

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

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

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

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

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-operate-transfer a WTE plant

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

2.8 Service concession arrangements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Service concession arrangements (Continued)

(a) Consideration given by the Grantor

(i) Service concession arrangements under intangible asset model

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

Revenue relating to operating service are accounted for in accordance with the policy for Note 2.23 "Revenue recognition". Costs for operating services are expensed in the period in which they are incurred.

(ii) Service concession arrangements under hybrid model

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

(b) Construction and upgrade services

The fair value of the construction and upgrade service under the services concession arrangement is calculated as the estimated total construction cost plus an expected mark-up margin. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy for Note 2.22 "Construction contracts".

2.9 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

2.10.1 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.

2.10.2 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.

2.11 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

2.13 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Receivables

(a) Trade and other receivables

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

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

(b) 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.

2.15 Cash and cash equivalents

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

2.16 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.

2.17 Trade and other payables

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

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

2.18 Borrowings

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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.

2.19 Provisions

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

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

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

2.20 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.

If the convertible loan is converted before maturity date, the carrying value of the equity and liability component at the time of conversion, are transferred to share capital and share premium as consideration for shares issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the 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 to utilise those temporary differences and losses.

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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.

2.23 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 generated is 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)

2.23 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.

2.24 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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)

2.25 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.

2.26 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.

2.27 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

3.1 Market risk

(i) Foreign exchange risk

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

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 and the major counterparties are primarily local government authorities in the PRC, directors are of the opinion that the risk of default by these counterparties is not significant.

The Group has concentration of credit risk. As at 31 December 2017, 28% (2016: 63%) 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$668,228,000 (2016: outflow of HK$53,657,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK$1,314,437,000 (2016: HK$514,566,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK$646,209,000 (2016: HK$460,909,000). 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 2017 and 2016. The amounts disclosed in the table are the contractual undiscounted cashflows.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iii) Liquidity risk (Continued)

	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017					
Bank borrowings (including interest)	**510,310**	**647,363**	**1,464,612**	**1,130,895**	**3,753,180**
Trade and other payables	**584,167**	**106,401**	**—**	**—**	**690,568**
	1,094,477	**753,764**	**1,464,612**	**1,130,895**	**4,443,748**
At 31 December 2016					
Bank borrowings (including interest)	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	529,999	145,333	—	—	675,332
	904,436	576,703	1,542,236	536,957	3,560,332

(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 2017, 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$30,070,000 (2016: HK$17,413,000).

The sensitivity analysis above has been determined as a result of changes in interest rate 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 sheet, plus net debt. The net debt to total capital ratios at 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Bank borrowings (Note 25)	**3,159,859**	1,911,386
Convertible loan (Note 26)	**—**	407,935
Less: cash and cash equivalents (Note 23)	**(1,347,803)**	(618,953)
Net debt	**1,812,056**	1,700,368
Total equity	**4,890,306**	2,723,043
Total capital	**6,702,362**	4,423,411
Net debt to total capital ratio	**27%**	38%

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 2017 and 2016. 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 2017 and 2016, the Group does not have any financial assets and liabilities which are measured at fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Service concession arrangements

The Group entered into BOT arrangements in respect of its WTE projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.23, revenue relating to construction services under such arrangement is recognised based on percentage of completion. Judgement is required in estimating the total construction cost, percentage of completion and mark-up margin of the projects.

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

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 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 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 2017 (2016: same).

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

	2017 **HK$'000**	2016 HK$'000
Revenue from power sales	**772,609**	519,386
Waste treatment fee	**306,562**	256,204
Construction revenue arising from BOT arrangement	**1,265,853**	843,760
Finance income arising from BOT arrangement	**52,507**	34,202
	2,397,531	1,653,552

5 REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2017, the Group had transactions with four (2016: three) customers which individually exceeded 10% of the Group's revenue. Revenue of approximately HK$584,024,000, HK$510,810,000, HK$396,203,000 and HK$285,509,000 were derived from the largest, second largest, third largest and fourth largest customer for the year ended 31 December 2017, respectively, while revenue of approximately HK$448,485,000, HK$280,272,000 and HK$271,496,000 were derived from the largest, second largest and third largest customer for the year ended 31 December 2016, respectively.

6 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Maintenance cost	**90,489**	48,587
Environmental protection expenses	**121,724**	85,364
Auditors' remuneration		
— Audit services	**3,214**	2,977
— Non-audit services	**959**	375
Employee benefit expenses (Note 9)	**153,787**	113,743
Depreciation and amortisation		
— Land use rights (Note 15)	**3,566**	3,619
— Property, plant and equipment (Note 16)	**106,502**	70,305
— Intangible assets (Note 17)	**78,123**	77,167
Operating lease rentals	**9,240**	8,816
Construction cost recognised for construction of BOT projects (included in cost of sales)	**1,054,877**	703,131

7 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Value-added tax refund (Note (i))	**66,976**	39,790
Management income (Note (ii))	**27,170**	35,112
Government grants	**1,175**	533
Others	**11,275**	7,158
	106,596	82,593

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

(ii) Management income for the year ended 31 December 2017 is derived from the provision of management services to a company whose directors consist of key management personnel from the Group (2016: same).

8 OTHER LOSSES, NET

	2017 HK$'000	2016 HK$'000
Exchange loss, net	**(5,251)**	(1,935)
(Loss)/gain on disposals of property, plant and equipment (Note 30(b))	**(6,155)**	309
	(11,406)	(1,626)

9 EMPLOYEE BENEFIT EXPENSES

	2017 HK$'000	2016 HK$'000
Wages and salaries	**129,095**	92,968
Pension costs — defined contribution plans	**7,701**	6,192
Welfare and other expenses	**16,991**	14,583
Total	**153,787**	113,743

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors' emoluments

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	1,950	750	18	2,718
Mr. Lai Kin Man	—	612	—	18	630
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,535	577	45	2,157
Mr. Lai Chun Tung	—	3,122	1,493	18	4,633
Non-executive directors:					
Mr. Feng Jun (note (i))	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam (note (i))	135	—	—	—	135
	1,095	7,219	2,820	99	11,233
Year ended 31 December 2016					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	1,950	—	18	1,968
Mr. Lai Kin Man	—	606	—	18	624
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,507	720	45	2,272
Mr. Lai Chun Tung	—	3,131	1,039	18	4,188
Non-executive directors:					
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Mr. Lai Yui	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
	960	7,194	1,759	99	10,012

Note (i): Mr. Feng Jun and Mr. Chung Kwok Nam were appointed as the Company's directors on 31 March 2017.

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 2017 (2016: same).

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

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2017 (2016: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2017 (2016: Nil).

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

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: 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 2017, 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 (2016: 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 2017 or at any time during the year ended 31 December 2017 (2016: Nil).

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 2017 (2016: 3), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2017 (2016: 2) are as follows:

	2017 HK$'000	2016 HK$'000
Wages and salaries	**5,466**	4,670
Pension costs — defined contribution plans	**51**	38
Welfare and other expenses	**25**	—
Total	**5,542**	4,708

The emoluments fell within the following bands:

	2017	2016
HK$1,000,000 — HK$1,999,999	**—**	1
HK$2,000,000 — HK$2,999,999	**1**	—
HK$3,000,000 — HK$3,999,999	**1**	1

During the year ended 31 December 2017, 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 (2016: same).

11 INTEREST INCOME AND EXPENSE

	2017 HK$'000	2016 HK$'000
Interest expense on bank borrowings	**(126,662)**	(84,126)
Imputed interest expenses on convertible loan (Note 26)	**(10,813)**	(28,214)
	(137,475)	(112,340)
Less: amount capitalised on qualifying assets	**25,465**	23,435
	(112,010)	(88,905)
Interest income from bank deposits	**6,438**	4,426
Interest expense, net	**(105,572)**	(84,479)

Interest expense on bank borrowings were capitalised at the weighted average rate of its general borrowings of approximately 4% (2016: 6%).

12 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current income tax		
PRC enterprise income tax	**33,972**	33,454
Hong Kong profits tax	**—**	—
Total current income tax	**33,972**	33,454
Deferred income tax (Note 19)	**45,362**	29,401
Income tax expense	**79,334**	62,855

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 2017 and 2016. 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 2017 (2016: same).

12 INCOME TAX EXPENSE (Continued)

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the year ended 31 December 2017 and 2016 on the assessable profits arising in or derived from the PRC except the followings:

(i) Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as "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 25% for the year ended 31 December 2017 (2016: 12.5%).

(ii) Dongguan China Scivest Environmental Power Company Limited ("China Scivest") has obtained an approval for an EIT incentive that phase 1 of 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 phase 1 of China Scivest was 12.5% for the year ended 31 December 2017 (2016: 12.5%).

(iii) Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") has obtained an approval for an EIT incentive that phase 1 of 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 phase 1 of Eco-Tech was 0% for the year ended 31 December 2017 (2016: 0%).

In addition, phase 2 of its project (under construction in 2016) would be fully exempted from the PRC EIT for three years starting from 2017 to 2019, followed by a 50% tax reduction for the ensuing three years from 2020 to 2022. Accordingly, the applicable tax rate of phase 2 of Eco-Tech was 0% for the year ended 31 December 2017 (2016: 25%).

(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 was 0% for the year ended 31 December 2017 (2016: 0%).

(v) Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda") has obtained an approval for an EIT incentive that phase 1 of 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 phase 1 of Xingyi Hongda was 0% for the year ended 31 December 2017 (2016: 0%).

In addition, phase 2 of its project (under construction in 2016) would be fully exempted from the PRC EIT for three years starting from 2017 to 2019, followed by a 50% tax reduction for the ensuing three years from 2020 to 2022. Accordingly, the applicable tax rate of phase 2 of Xingyi Hongda was 0% for the year ended 31 December 2017 (2016: 25%).

(vi) Laibin Yuefeng Environmental Power Company Limited (formerly known as "Laibin Zhongke Environmental Power Company Limited") ("Laibin Zhongke") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2017 to 2019, followed by a 50% tax reduction for the ensuing three years from 2020 to 2022. Accordingly, the applicable tax rate of Laibin Zhongke was 0% for the year ended 31 December 2017 (2016: 25%).

12 INCOME TAX EXPENSE (Continued)

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	**643,581**	462,873
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**166,193**	120,548
Tax effect of:		
Income not taxable for tax purpose	**(673)**	(989)
Expenses not deductible for tax purpose	**17,397**	15,300
Preferential tax concession	**(103,583)**	(72,004)
Income tax expense	**79,334**	62,855

The weighted average applicable tax rate was 12.3% for the year ended 31 December 2017 (2016: 13.6%).

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.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**564,247**	400,018
Weighted average number of ordinary shares in issue (thousand shares)	**2,350,806**	2,020,766
Basic earnings per share (HK cents)	**24.0**	19.8

(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.

During the year ended 31 December 2017, the Company has two (2016: two) categories of dilutive potential ordinary share: share options and convertible loan (2016: share options and convertible loan). 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 year has been adjusted to eliminate the interest expense of the convertible loan.

13 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

Diluted earnings per share for the year ended 31 December 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.

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.

14 SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2017 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:				
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
Beiliu Yuefeng Environmental Power Company Limited ("Beiliu Yuefeng") 北流粵豐環保電力有限公司*	The PRC, limited liability company	RMB176,750,000/ RMB123,360,000	80% (note (c))	Provision of municipal solid waste ("MSW") handling services and operation and management of WTE plant/the PRC
Canvest Environmental (China) Company Limited 粵豐環保(中國)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental (Overseas) Company Limited 粵豐環保(海外)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental International Limited 粵豐環保國際有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of human resources and administrative services/ Hong Kong
Celestial Jade Limited 天翠有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ 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

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2017 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)				
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司*	The PRC, limited liability company	RMB330,000,000/ RMB164,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
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
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	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as "Dongguan Kewei Environmental Power Company Limited") 粵豐科維環保投資(廣東)有限公司* (formerly known as "東莞科維環保投資有限公司")	The PRC, limited liability company	RMB1,060,000,000/ RMB910,000,000 (Note (a))	100%	Provision of MSW handling services and operation and management of WTE plants and investment holding/ the PRC
Dongguan Yuefeng Corporate Consultancy Management Company Limited 東莞市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
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	101 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Fine Way Investments Limited 佳威投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Laibin Yuefeng Environmental Power Company Limited (formerly known as "Laibin Zhongke Environmental Power Company Limited") 來賓粵豐環保電力有限公司* (formerly known as "來賓中科環保電力有限公司*")	The PRC, limited liability company	RMB261,500,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2017 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)				
Lufeng Yuefeng Environmental Power Company Limited ("Lufeng Yuefeng") 陸豐粵豐環保電力有限公司*	The PRC, limited liability company	RMB188,160,000/ RMB95,000,000 (note (b))	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Maoming Yuefeng Environmental Power Company Limited 茂名粵豐環保電力有限公司*	The PRC, limited liability company	RMB352,970,000/ RMB150,267,360	100%	Provision of MSW handling services and operation and management of WTE plant/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	RMB196,600,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司*	The PRC, limited liability company	RMB53,000,000	100%	Provision of MSW handling service and operation and management of WTE plant/the PRC
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Xinyi Yuefeng Environmental Power Company Limited 信宜粵豐環保電力有限公司*	The PRC, limited liability company	RMB134,010,000/ RMB30,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
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
Yuezhan Environmental Investment (Guangdong) Company Limited 粵展環保投資(廣東)有限公司*	The PRC, limited liability company	RMB250,000,000/ RMB53,200,000	100%	Investment holding/ 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	RMB194,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/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 Kewei was increased to RMB928,000,000 on 16 March 2018.

Note (b): The paid-up capital of Lufeng Yuefeng was increased to RMB159,480,000 on 22 January 2018.

Note (c): As at 31 December 2017, the non-controlling shareholder had not yet injected its portion of capital to the Company.

15 LAND USE RIGHTS

	HK$'000
At 1 January 2016	153,642
Amortisation	(3,619)
Currency translation differences	(9,582)
At 31 December 2016	140,441
At 1 January 2017	**140,441**
Amortisation	**(3,566)**
Currency translation differences	**9,717**
At 31 December 2017	**146,592**

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

	2017 HK$'000	2016 HK$'000
Leases in the PRC	**45,529**	43,623

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 2017 and 2016, certain of the Group's borrowings were secured by the prepaid operating lease payments (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
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	—	—	146	657	—	803
Disposals (Note 30(b))	—	(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

For the year ended 31 December 2017

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 2017						
Opening net book amount	351,798	487,724	11,795	9,349	341,045	1,201,711
Additions	17,696	9,673	3,776	6,202	300,607	337,954
Transfer	316,853	335,207	—	—	(652,060)	—
Disposals (Note 30(b))	(5,605)	(459)	(1,771)	(19)	—	(7,854)
Depreciation	(35,025)	(64,363)	(3,284)	(3,830)	—	(106,502)
Currency translation differences	37,648	44,647	496	627	10,408	93,826
Closing net book amount	683,365	812,429	11,012	12,329	—	1,519,135
As at 31 December 2017						
Cost	780,150	1,035,318	23,627	23,857	—	1,862,952
Accumulated depreciation	(96,785)	(222,889)	(12,615)	(11,528)	—	(343,817)
Net book amount	683,365	812,429	11,012	12,329	—	1,519,135

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

	2017 HK$'000	2016 HK$'000
Cost of sales	99,607	64,086
General and administrative expenses	6,895	6,219
	106,502	70,305

As at 31 December 2017, 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$293,602,000 (2016: HK$235,173,000) (Note 25).

17 INTANGIBLE ASSETS

	Goodwill HK$'000	Concession rights HK$'000	Total HK$'000
Year ended 31 December 2016			
Opening net book amount	169,752	1,744,902	1,914,654
Acquisition of subsidiaries	—	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
Year ended 31 December 2017			
Opening net book amount	**158,986**	**2,471,455**	**2,630,441**
Additions from BOT arrangement	**—**	**1,108,362**	**1,108,362**
Amortisation	**—**	**(78,123)**	**(78,123)**
Currency translation differences	**11,150**	**211,618**	**222,768**
Closing net book amount	**170,136**	**3,713,312**	**3,883,448**
As at 31 December 2017			
Cost	**170,136**	**4,000,293**	**4,170,429**
Accumulated amortisation	**—**	**(286,981)**	**(286,981)**
Net book amount	**170,136**	**3,713,312**	**3,883,448**

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 using the estimated growth rate of 3% (2016: 3%) on waste treatment fee 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. The pre-tax discount rate used is 9.5% for the year ended 31 December 2017 (2016: 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 Limited and Xingyi Hongda and allocation from the BOT arrangement of Zhanjiang Yuefeng, Laibin Zhongke, China Scivest, Xingyi Hongda and Beiliu Yuefeng, 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 2017 and 2016, 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 aggregate carrying amount of HK$2,643,946,000 (2016: HK$1,679,266,000) (Note 25).

18 GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

Certain subsidiaries of the Group entered into service concession arrangements with the grantors in the PRC. 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. 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 2.8 and Note 2.22.

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus recognised profits	**1,154,870**	915,596
Less: Billings	**(62,553)**	(38,753)
Net contract work	**1,092,317**	876,843
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**1,027,432**	820,862
— Current	**64,885**	55,981
	1,092,317	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.

19 DEFERRED INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**2,731**	2,479
— to be settled after more than 12 months	**313,396**	249,170
	316,127	251,649

Deferred income tax liabilities

	Revaluation of asset HK$'000	**Service concession arrangements HK$'000**	**Withholding tax HK$'000**	**Total HK$'000**
At 1 January 2016	176,379	32,994	—	209,373
Acquisition of a subsidiary	28,419	—	—	28,419
(Credited)/charged to the consolidated statement of profit or loss (Note 12)	(2,643)	32,044	—	29,401
Currency translation differences	(12,085)	(3,459)	—	(15,544)
At 31 December 2016	190,070	61,579	—	251,649
At 1 January 2017	**190,070**	**61,579**	**—**	**251,649**
(Credited)/charged to the consolidated statement of profit or loss (Note 12)	**(5,676)**	**45,038**	**6,000**	**45,362**
Currency translation differences	**13,118**	**5,998**	**—**	**19,116**
At 31 December 2017	**197,512**	**112,615**	**6,000**	**316,127**

Deferred income tax liabilities of approximately HK$89,296,000 as at 31 December 2017 (2016: HK$55,603,000), 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

	2017 HK$'000	2016 HK$'000
Coal, fuel and other materials for waste treatment	**2,314**	761

The cost of inventories was recognised as expense and included in "cost of sales" amounted to HK$88,625,000 for the year ended 31 December 2017 (2016: HK$43,640,000).

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

	2017 HK$'000	2016 HK$'000
Non-current assets		
Deposits for investments	**508,597**	228,060
Prepayments for property, plant and equipment and concession rights	**196,329**	59,883
Rental deposits	**1,617**	1,617
Other prepayments	**4,213**	5,626
	710,756	295,186
Current assets		
Trade receivables	**260,191**	110,980
Bills receivables	**—**	3,354
Deposits and prepayments	**16,913**	4,053
Other receivables (Note)	**106,709**	59,827
Value-added tax recoverable	**157,973**	75,427
	541,786	253,641
	1,252,542	548,827

Note: As at 31 December 2017 and 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.

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

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

	2017 HK$'000	2016 HK$'000
Up to 1 month	83,501	33,841
1 to 3 months	107,944	41,374
3 to 6 months	46,373	25,943
Over 6 months	22,373	9,822
	260,191	110,980

As at 31 December 2017, trade receivables of HK$176,690,000 (2016: HK$77,139,000) 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:

	2017 HK$'000	2016 HK$'000
1 to 3 months	107,944	41,374
3 to 6 months	46,373	25,943
Over 6 months	22,373	9,822
	176,690	77,139

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

	2017 HK$'000	2016 HK$'000
RMB	1,209,360	545,608
HK$	43,182	3,219
	1,252,542	548,827

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

22 RESTRICTED DEPOSITS

	2017 HK$'000	2016 HK$'000
Restricted deposits, denominated in RMB	**14,786**	42,927

Restricted deposits of HK$14,786,000 (2016: HK$9,390,000) represents deposits pledged for BOT service concession arrangements in relation to various WTE plants. As at 31 December 2016, restricted deposit of HK$33,537,000 represents deposit pledged for bank borrowings of the Group. The effective interest rate on restricted deposits is 0.35%–3.05% per annum (2016: same). Restricted deposits of HK$14,786,000 (2016: HK$9,390,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

23 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank and on hand	**1,106,214**	396,681
Bank deposits	**241,589**	222,272
	1,347,803	618,953

The weighted average effective interest rate on bank deposits of the Group was 0.9%, 3.3% and 1.7% for HK$, RMB and United States dollars ("US$") bank deposits respectively (2016: 0.4%, 6.7% and 0.4% for HK$, RMB and US$ 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:

	2017 HK$'000	2016 HK$'000
HK$	**615,962**	328,198
RMB	**723,905**	282,817
US$	**7,936**	7,938
	1,347,803	618,953

As at 31 December 2017, the Group's cash and cash equivalents balances of approximately HK$708,136,000 (2016: HK$255,650,000), 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

	2017	2016
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$'000)	**50,000**	50,000
Issued and fully paid:		
Number of ordinary shares		
As at 1 January	**2,034,235,294**	2,000,000,000
Issue of new shares on 24 May 2016 (Note (i))	**—**	34,235,294
Issue of new shares on 28 March 2017 (Note (ii))	**300,000,000**	—
Issue of new shares on 12 April 2017 (Note (iii))	**121,096,875**	—
As at 31 December	**2,455,332,169**	2,034,235,294
Equivalent nominal value of ordinary shares (HK$'000)	**24,553**	20,342

Notes:

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

(ii) On 28 March 2017, an aggregate of 300,000,000 ordinary shares were issued at HK$3.5 each. Net proceeds amounted to HK$1,018,013,000.

(iii) On 12 April 2017, an aggregate of 121,096,875 ordinary shares were issued at conversion price of HK$3.84 per share upon the conversion of convertible loan (Note 26).

(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.

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

(b) Other reserves (Continued)

(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 2017 and 2016.

25 BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings, secured		
Non-current	**2,797,061**	1,634,549
Current	**362,798**	276,837
Total	**3,159,859**	1,911,386

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

	2017 HK$'000	2016 HK$'000
Within 1 year	**362,798**	276,837
Between 1 and 2 years	**523,130**	347,100
Between 2 and 5 years	**1,230,957**	798,074
Over 5 years	**1,042,974**	489,375
	3,159,859	1,911,386

As at 31 December 2017, bank borrowings are secured by rights to collect revenue from power sales and waste handling services, prepaid operating lease payments (Note 15), property, plant and equipment (Note 16), intangible assets (Note 17), and corporate guarantees (Note 32) (2016: right to collect revenue from power sales and waste handling services, prepaid operating lease payments, property, plant and equipment, intangible assets, restricted deposits and corporate guarantees.

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:

	2017 %	2016 %
Term loans — secured	**3.96–5.39**	3.96–7.00

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.

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 year ended 31 December 2016.

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.

(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.

26 CONVERTIBLE LOAN (Continued)

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
For the year ended 31 December 2017			
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 31 December 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 on 12 April 2017.

27 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Non-current liabilities		
Other payables (Note)	**106,401**	145,333
Current liabilities		
Trade payables	**113,078**	64,476
Accruals and other payables (Note)	**527,893**	502,647
	640,971	567,123
	747,372	712,456

Note: Other payables, which are non-current in nature, mainly include retention payables for construction projects. Accruals and other payables, which are current in nature, mainly include accrued staff costs and other staff benefits, construction payables and value-added tax payables.

27 TRADE AND OTHER PAYABLES (Continued)

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

	2017 HK$'000	2016 HK$'000
Up to 1 month	**72,076**	37,672
1 to 2 months	**12,213**	13,376
2 to 3 months	**7,021**	2,720
Over 3 months	**21,768**	10,708
	113,078	64,476

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

	2017 HK$'000	2016 HK$'000
RMB	**738,440**	706,124
HK$	**8,932**	7,661
	747,372	713,785

28 DEFERRED GOVERNMENT GRANTS

	2017 HK$'000	2016 HK$'000
Deferred government grants	**115,183**	38,118
Less: Amount included under current liabilities	**(5,520)**	(1,329)
Amount included under non-current liabilities	**109,663**	36,789

29 DIVIDEND

The Board has proposed the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2017 (2016: HK1.6 cents per ordinary share), totaling to HK$49,107,000 (2016: HK$39,285,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,455,332,169 shares) at the date of approval for issue of these financial statements (i.e. 19 March 2018).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Friday, 15 June 2018, the proposed final dividend are expected to be paid on Friday, 6 July 2018 to shareholders whose names appear on the register of members of the Company on Tuesday, 26 June 2018.

The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2017.

During the year ended 31 December 2017, the Company has declared an interim dividend of HK1.3 cents per ordinary share (2016: HK1.1 cents per ordinary share), totaling to HK$31,919,000 (2016: HK$22,377,000).

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2017 is as follows:

	2017 HK$'000
Bank borrowings — repayable within one year (variable interest rate)	**362,798**
Bank borrowings — repayable after one year (variable interest rate)	**2,797,061**
Total bank borrowings	**3,159,859**

	Bank borrowings due within 1 year HK$'000	**Bank borrowings due after 1 year** HK$'000	**Convertible loan** HK$'000	**Total** HK$'000
As at 1 January 2017	**276,837**	**1,634,549**	**407,935**	**2,319,321**
Cash flows	**(212,052)**	**1,286,420**	**(3,049)**	**1,071,319**
Foreign exchange adjustments	**21,806**	**152,299**	**—**	**174,105**
Other non-cash movements	**276,207**	**(276,207)**	**(404,886)**	**(404,886)**
As at 31 December 2017	**362,798**	**2,797,061**	**—**	**3,159,859**

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2017 HK$'000	2016 HK$'000
Net book amount (Note 16)	7,854	60
(Loss)/gain on disposals of property, plant and equipment (Note 8)	(6,155)	309
Proceeds from disposals of property, plant and equipment	1,699	369

31 COMMITMENTS

(a) Capital commitments

	2017 HK$'000	2016 HK$'000
Authorised but not contracted to:		
Property, plant and equipment	—	46,305
Construction cost for BOT	2,377,320	641,024
	2,377,320	687,329
Contracted but not provided for:		
Property, plant and equipment	—	328,658
Construction cost for BOT	542,468	825,280
	542,468	1,153,938

(b) Operating lease commitments

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

	2017 HK$'000	2016 HK$'000
Within 1 year	12,485	7,484
After 1 year but within 5 years	16,648	1,953
After 5 years	142	143
	29,275	9,580

32 FINANCIAL GUARANTEES

As at 31 December 2017, 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$2,161,547,000 (2016: HK$1,160,291,000).

As at 31 December 2017 and 2016, the Group had no other contingent liabilities.

33 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the year ended 31 December 2017, the Group paid rental and related expenses of HK$2,146,000 for office to a related party which was controlled by Mr. Lai Chun Tung, the Executive Director of the Company and was agreed by both parties (2016: HK$2,105,000).

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 2017 and 2016.

(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:

	2017 HK$'000	2016 HK$'000
Wages and salaries	**20,141**	19,497
Pension costs — defined contribution plans	**260**	272
Welfare and other expenses	**566**	1,156
Total	**20,967**	20,925

34 EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of 100% equity interest in Xiamen Kun Yue Environmental Company Limited ("Xiamen Kun Yue")

On 11 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiamen Kun Yue, a company established in the PRC with limited liability at a consideration of RMB173,500,000 (approximately HK$204,730,000). Xiamen Kun Yue indirectly holds the BOT concession right to a WTE plant in Xinfeng County, Jiangxi Province with a total daily municipal solid waste processing capacity of 800 tonnes. At the date of approval for issue of these consolidated financial statements, the transaction has not been completed.

(b) Acquisition of 100% equity interest in Hangzhou Langneng Environmental Technology Company Limited ("Hangzhou Langneng")

On 27 December 2017, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Hangzhou Langneng, a company established in the PRC with limited liability at a consideration of RMB87,046,000 (approximately HK$103,584,000). Hangzhou Langneng indirectly holds 50% equity interest in Jianyang Yuefeng Environmental Power Company Limited, a company established in the PRC with limited liability, which holds the BOT concession right to a WTE plant in Jianyang City, Sichuan Province with a total daily municipal solid waste processing capacity of 3,000 tonnes. At the date of approval for issue of these consolidated financial statements, the transaction has not been completed.

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**3,172,352**	2,468,666
Long-term prepayment	**40,566**	—
	3,212,918	2,468,666
Current assets		
Prepayment and other receivables	**688**	1,157
Restricted deposits	**—**	33,537
Cash and cash equivalents	**636,328**	356,400
	637,016	391,094
Total assets	**3,849,934**	2,859,760
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**24,553**	20,342
Share premium (Note a)	**2,697,306**	1,195,835
Other reserves (Note a)	**1,061,359**	1,133,329
Retained earnings (Note a)	**59,150**	97,242
Total equity	**3,842,368**	2,446,748
LIABILITIES		
Non-current liabilities		
Convertible loan	**—**	407,935
Current liabilities		
Other payables	**5,216**	2,862
Amounts due to subsidiaries	**2,350**	2,215
	7,566	5,077
Total liabilities	**7,566**	413,012
Total equity and liabilities	**3,849,934**	2,859,760
Net current assets	**629,450**	386,017
Total assets less current liabilities	**3,842,368**	2,854,683

The balance sheet of the Company was approved by the Board of Directors on 19 March 2018 and was signed on its behalf.

Lee Wing Yee Loretta	**Lai Chun Tung**
Director	*Director*

35 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 HK$'000	Total HK$'000
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
Receipt of convertible loan (Note 26)	—	—	—	71,970	—	71,970
Interim divided declared and paid (Note 29)	—	—	—	—	(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
Balance at 1 January 2017	**1,195,835**	**1,055,525**	**5,834**	**71,970**	**97,242**	**2,426,406**
Issuance of shares through placement (Note 24(a))	**1,015,013**	**—**	**—**	**—**	**—**	**1,015,013**
Conversion of convertible loan (Note 26)	**486,458**	**—**	**—**	**(71,970)**	**—**	**414,488**
Dividend approved in respect of the previous year (Note 29)	**—**	**—**	**—**	**—**	**(39,285)**	**(39,285)**
Interim divided declared and paid (Note 29)	**—**	**—**	**—**	**—**	**(31,919)**	**(31,919)**
Profit for the year	**—**	**—**	**—**	**—**	**33,112**	**33,112**
Balance at 31 December 2017	**2,697,306**	**1,055,525**	**5,834**	**—**	**59,150**	**3,817,815**

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				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
ASSETS					
Non-current assets	**7,287,363**	5,088,641	3,664,772	2,201,062	851,322
Current assets	**1,971,574**	972,263	803,145	1,566,354	389,276
Total assets	**9,258,937**	6,060,904	4,467,917	3,767,416	1,240,598
EQUITY AND LIABILITIES					
Total equity	**4,890,306**	2,723,043	2,334,401	2,417,964	761,800
Non-current liabilities	**3,332,949**	2,479,209	1,348,289	881,939	324,464
Current liabilities	**1,035,682**	858,652	785,227	467,513	154,334
Total liabilities	**4,368,631**	3,337,861	2,133,516	1,349,452	478,798
Total equity and liabilities	**9,258,937**	6,060,904	4,467,917	3,767,416	1,240,598

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**2,397,531**	1,653,552	1,184,536	793,967	390,173
Cost of sales	**(1,578,867)**	(1,064,263)	(745,212)	(451,646)	(187,537)
Gross profit	**818,664**	589,289	439,324	342,321	202,636
General and administrative expenses	**(164,701)**	(122,904)	(111,646)	(96,723)	(41,739)
Other income	**106,596**	82,593	49,158	51,467	14,039
Other (loss)/gain, net	**(11,406)**	(1,626)	4,325	381	(725)
Operating profit	**749,153**	547,352	381,161	297,446	174,211
Interest income	**6,438**	4,426	11,897	5,525	908
Interest expense	**(112,010)**	(88,905)	(63,271)	(67,334)	(26,769)
Profit before income tax	**643,581**	462,873	329,787	235,637	148,350
Income tax expenses	**(79,334)**	(62,855)	(40,892)	(27,278)	(17,381)
Profit for the year	**564,247**	400,018	288,895	208,359	130,969
Attributable to:					
Equity holders of the Company	**564,247**	400,018	272,001	191,038	130,969
Non-controlling interests	**—**	—	16,894	17,321	—
Earnings per share (expressed in HK cents per share)					
— Basic (note)	**24.0**	19.8	13.6	12.7	8.7
— Diluted	**24.0**	19.8	13.6	12.7	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 and 2013 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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

Level 24,
Canvest Tower,
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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

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WEBSITE

www.canvestenvironment.com

LISTING INFORMATION

Equity Securities Listing

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

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of shareholders who are entitled to attend and vote at the 2018 AGM

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Monday, 11 June 2018
Period of closure of register of members	:	Tuesday, 12 June 2018 to Friday, 15 June 2018 (both dates inclusive)

To determine the shareholders' entitlement to the final dividend

Ex-entitlement date for final dividend	:	Wednesday, 20 June 2018
Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 21 June 2018
Period of closure of register of members	:	Friday, 22 June 2018 to Tuesday, 26 June 2018 (both dates inclusive)
Record date	:	Tuesday, 26 June 2018

To qualify for attending and voting at the 2018 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.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Friday, 15 June 2018. Notice of the 2018 AGM will be published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also published on the websites of the Company (www.canvestenvironment.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

For environmental protection reason, the Company encourages Shareholders to view the contents of this annual report posted on the aforesaid websites.

GLOSSARY

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
Beiliu Runtong	Beiliu Runtong Environmental Investment Company Limited (北流市潤通環保投資有限公司), a company which holds 20% interest in Beiliu
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 and is a joint venture of Utrust Holdings and Bank of China Group Investment Limited
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 arrangements

Celestial Jade	Celestial Jade Limited (天翠有限公司), a company incorporated in BVI with limited liability and an indirectly wholly owned subsidiary of the Company
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. It received an consent from the regulatory authority to extend the concession period for ten years during the year
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Counterparties	Zhongshan and 4 related parties of Zhongshan
Dianbai	Maoming Yuefeng Environmental Power Company Limited** (茂名粵豐環保電力有公司), a company established under the laws of the PRC with limited liability on 11 December 2017 and an indirectly wholly owned subsidiary of the Company
Director(s)	director(s) of the Company
Dongguan Lujia	Dongguan City Lujia Environmental Technology Company Limited** (東莞市綠嘉環保資源投資有限公司), a company established under the laws of the PRC with limited liability
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
Fund	Zhuhai Hengqin Utrust Canvest Clean Energy Industry Acquisition Investment Fund L.P.** (珠海橫琴粵財粵豐清潔能源產業併購合夥企業(有限合夥)), a limited partnership to be established under the laws of the PRC pursuant to the Partnership Agreement
Group	the Company and its subsidiaries
Guangdong Utrust	Guangdong Utrust Trust Company Limited** (廣東粵財信託有限公司), a company established in the PRC with limited liability

GLOSSARY

Hangzhou Langneng	Hangzhou Langneng Environmental Company Limited** (杭州朗能環保科技有限公司), a company established under the laws of the PRC with limited liability
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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
Jianyang Yuefeng	Jianyang Yuefeng Environmental Power Company Limited** (簡陽粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability
Johnson	Johnson Cleaning Services Company Limited (莊臣有限公司), a company incorporated under the laws of Hong Kong with limited liability
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as "Dongguan Kewei Environmental Power Company Limited")** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company 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 Yuefeng Environmental Power Company Limited** (formerly known as "Laibin Zhongke Environmental Power Company Limited") (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company 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

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
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
RMB	Renminbi, the lawful currency of PRC
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 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
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

WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xiamen Kun Yue	Xiamen Kun Yue Environmental Company Limited** (廈門坤躍環保有限公司), a company established in the PRC with limited liability
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
Xuwen	Xuwen Yufeng Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company established under the laws of the PRC with limited liability on 30 January 2018 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
Yuezhan Investment	Yuezhan Environmental Investment (Guangdong) Company Limited (粵展環保投資(廣東)有限公司), a company established under the laws of the PRC with limited liability on 27 February 2017, an indirectly 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.

** For identification purposes only