



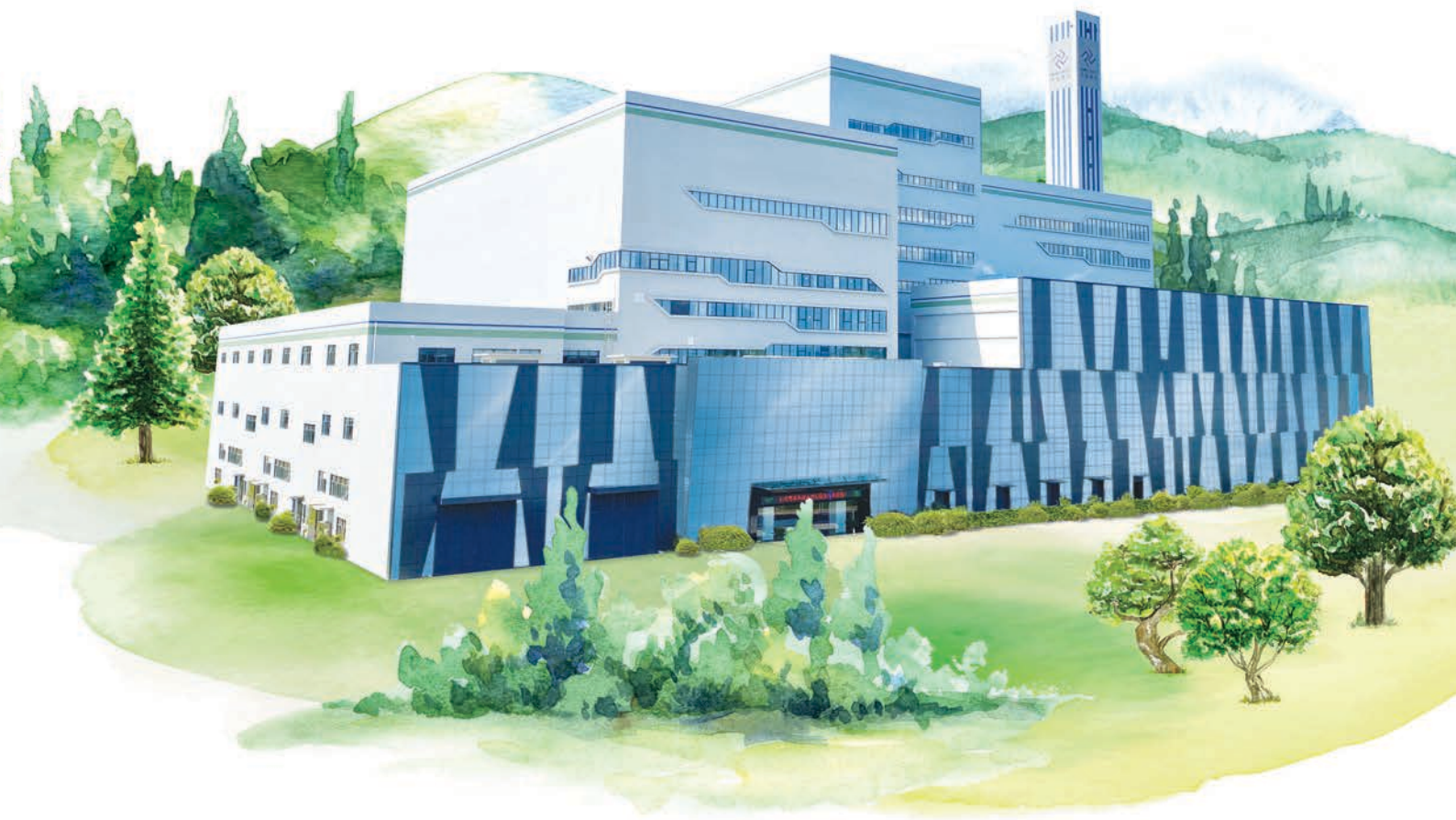
粵豐環保電力有限公司

Canvest Environmental Protection Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

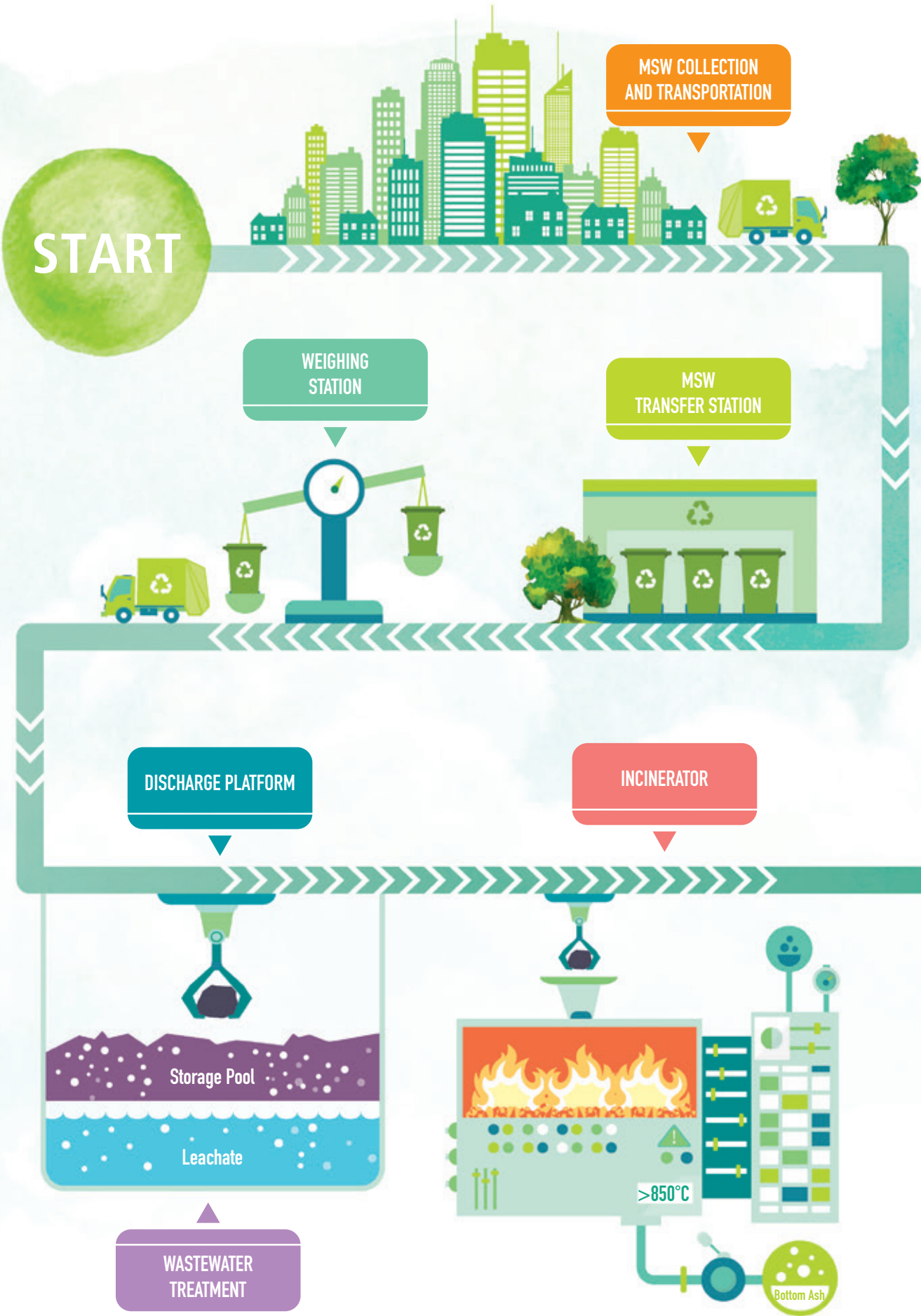
*Capturing Immense Opportunity
Creating Sustainable Growth*



INTERIM REPORT
2020

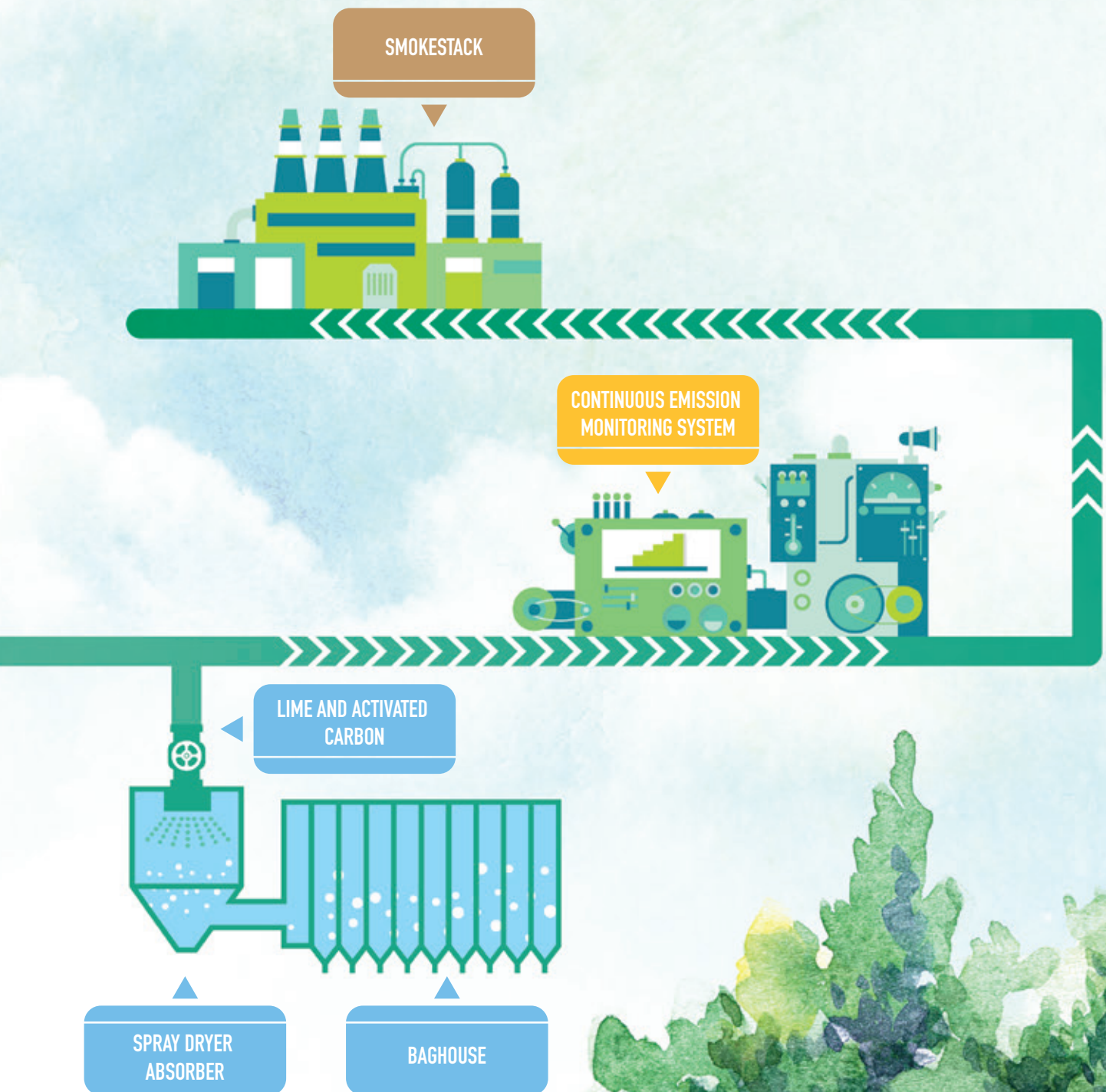


MSW PROCESSING AND WTE PROCESS



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FINANCIAL HIGHLIGHTS

EBITDA*

(for the six months ended 30 June)

HK\$'000

▲ **16.8%**

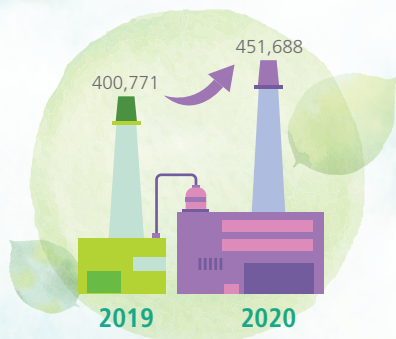


Profit attributable to equity holders of the Company

(for the six months ended 30 June)

HK\$'000

▲ **12.7%**



Total assets

HK\$'000

▲ **10.9%**



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

For the six months ended 30 June

	2020	2019	Change
Revenue (HK\$'000)	2,005,738	2,004,030	+0.1%
Included: Revenue from power sales and waste treatment (HK\$'000)	941,174	853,813	+10.2%
Gross profit (HK\$'000)	678,283	618,268	+9.7%
EBITDA (HK\$'000)*	877,435	751,429	+16.8%
Profit for the period (HK\$'000)	452,407	400,260	+13.0%
Profit attributable to equity holders of the Company (HK\$'000)	451,688	400,771	+12.7%
Basic earnings per Share (HK cents)	18.6	16.3	+14.1%
Interim dividend per Share (HK cents)	3.7	3.2	+15.6%
Cash generated from operating projects (HK\$'000)*	518,468	350,059	+48.1%

* Non-HKFRS measures

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

	As at 30 June 2020	As at 31 December 2019	Change
Total assets (HK\$'000)	14,940,903	13,466,767	+10.9%
Total liabilities (HK\$'000)	8,681,082	7,444,060	+16.6%
Included: Total bank borrowings (HK\$'000)	6,650,441	5,376,957	+23.7%
Equity attributable to equity holders of the Company (HK\$'000)	6,063,695	5,823,267	+4.1%
Total liabilities/total assets	58.1%	55.3%	+2.8 pts

PROJECTS OVERVIEW

Total Operating,
Secured and Announced Daily
MSW Processing Capacity

47,490 Tonnes

(as at 20 August 2020)



	Number of Projects	Daily Processing Capacity (tonnes)
Guangdong	14	21,990
Guangxi	2	2,550
Guizhou	2	2,250
Hebei	1	1,000
Heilongjiang	1	600
Jiangsu	2	2,050
Jiangxi	1	800
Liaoning	1	2,250
Shandong	2	3,000
Shanghai	1	3,800
Shanxi	2	2,200
Sichuan	1	3,000
Yunnan	2	2,000
Total	32	47,490

A cleaning and waste management services provided by Sichuan Jiajieyuan

B environmental hygiene service provided by Johnson

C fly ash landfill service provided by Dongguan Xindongyue

PROJECTS OVERVIEW

		Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status	
Guangdong	1	Eco-Tech I WTE plant	Dongguan	1,800 tonnes	36MW	RMB110/tonne	In operation
	2	Eco-Tech II WTE plant	Dongguan	1,500 tonnes	50MW	RMB110/tonne	In operation
	3	Kewei WTE plant	Dongguan	1,800 tonnes	30MW	RMB110/tonne	In operation
	4	China Scivest I WTE plant	Dongguan	1,800 tonnes	42MW	RMB110/tonne	In operation
	5	China Scivest II WTE plant	Dongguan	1,200 tonnes	36MW	RMB110/tonne	In operation
	6	Machong WTE Plant	Dongguan	2,250 tonnes	80MW	RMB110/tonne	Under construction
	7	Zhanjiang WTE plant	Zhanjiang	1,500 tonnes	30MW	RMB81.8/tonne	In operation
	8	Qingyuan WTE plant	Qingyuan	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	50MW	RMB50/tonne (Under negotiation)	Under construction
	9	Zhongshan WTE plant	Zhongshan	1,040 tonnes	24MW	RMB93.61/tonne	In operation
	10	Lufeng WTE plant	Lufeng	Phase 1: 1,200 tonnes Phase 2: 400 tonnes	Phase 1: 30MW Phase 2: 12MW	RMB91.5/tonne	Phase 1: In operation Phase 2: Planning
	11	Xinyi WTE plant	Xinyi	950 tonnes	24MW	RMB79/tonne	In operation
	12	Xuwen WTE plant	Xuwen	Phase 1: 500 tonnes Phase 2: 250 tonnes	Phase 1: 12MW Phase 2: 6MW	RMB80.5/tonne	Phase 1: Under construction Phase 2: Under construction
	13	Dianbai WTE plant	Maoming	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 25MW Phase 2: 25MW	RMB89.5/tonne	Phase 1: In operation Phase 2: Planning
	14	Shaoguan WTE Plant	Shaoguan	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB88.88/tonne	Phase 1: Under construction Phase 2: Planning
Guangxi	15	Laibin WTE plant	Laibin	Phase 1: 1,000 tonnes Phase 2: 500 tonnes	Phase 1: 24MW Phase 2: Planning	RMB95/tonne	Phase 1: In operation Phase 2: Planning
	16	Beiliu WTE plant	Beiliu	Phase 1: 700 tonnes Phase 2: 350 tonnes	24MW	RMB83/tonne (Calculated on weighted average basis)	In operation
Guizhou	17	Xingyi WTE plant	Xingyi	Phase 1: 700 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB80/tonne	In operation
	18	Qiandongnan Prefecture South Area WTE Plant	Liping	Phase 1: 700 tonnes Phase 2: 350 tonnes	15MW	RMB66.8/tonne	Planning
Jiangxi	19	Xinfeng WTE plant	Xinfeng	Phase 1: 400 tonnes Phase 2: 400 tonnes	15MW	RMB70/tonne	In operation
Shandong	20	Zaozhuang WTE plant	Zaozhuang	Phase 1: 1,000 tonnes Phase 2: 800 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB49/tonne (will be adjusted after technological upgrade)	Phase 1: Under technological upgrade Phase 2: Under construction
	21	Shen County WTE plant	Shen County, Liaocheng	Phase 1: 700 tonnes Phase 2: 500 tonnes	15MW	RMB70/tonne	Planning
Shanghai	22	Baoshan WTE plant	Shanghai	3,800 tonnes	126MW	Under negotiation	Planning
Jiangsu	23	Jingjiang WTE plant	Jingjiang	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 7.5MW	RMB67.8/tonne	Planning
	24	Taizhou WTE plant	Taizhou	850 tonnes	18MW	RMB79.9/tonne	Planning

PROJECTS OVERVIEW

		Location	Daily MSW processing capacity	Installed power generation capacity	Waste treatment fee	Status	
Sichuan	25	Jiayang WTE plant	Jiayang	Phase 1: 1,500 tonnes Phase 2: 1,500 tonnes	Phase 1: 18MW Phase 2: 18MW	RMB65.95/tonne	Phase 1: Under construction Phase 2: Planning
Yunnan	26	Ruili WTE Plant	Ruili	Phase 1: 600 tonnes Phase 2: 400 tonnes	Phase 1: 12MW Phase 2: Planning	RMB75/tonne	Phase 1: Under construction Phase 2: Planning
	27	Xiangyun WTE plant	Xiangyun	1,000 tonnes	18MW	RMB56.8/tonne	Planning
Hebei	28	Mancheng WTE plant	Mancheng	Phase 1: 500 tonnes Phase 2: 500 tonnes	24MW	RMB76.8/tonne	Under construction
Shanxi	29	Linfen WTE plant	Linfen	Phase 1: 800 tonnes Phase 2: 400 tonnes	Phase 1: 15MW Phase 2: 15MW	RMB72.6/tonne	Planning
	30	Hunyuan WTE plant	Hunyuan	Phase 1: 500 tonnes Phase 2: 500 tonnes	Phase 1: 12MW Phase 2: 12MW	RMB57.5/tonne	Planning
Liaoning	31	Yingkou WTE plant	Yingkou	Phase 1: 1,500 tonnes Phase 2: 750 tonnes	Phase 1: 30MW Phase 2: 15MW	RMB66/tonne	Phase 1: Under construction Phase 2: Planning
Heilongjiang	32	Wuchang WTE plant	Wuchang	600 tonnes	12MW	RMB58/tonne	Planning



CORPORATE MILESTONES

Q1 2020



- Entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shenyun. It was awarded the concession rights of Xiangyun WTE plant located in Xiangyun, Dali Bai Autonomous Prefecture, Yunnan Province
- Awarded the concession rights in relation to Yingkou WTE project
- Support local communities to combat against pandemic caused by COVID-19 by donating protective supplies and providing financial support to those in need, as well as providing timely treatment of non-hazardous medical waste under full supervision by professionals
- Xinyi WTE plant commenced trial operation

Q2 2020



- Phase 1 of Dianbai WTE plant commenced trial operation

Q3 2020



- Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region
- Obtained a term loan facility of HK\$1,938.0 million (with incremental facilities of up to a further HK\$1,170.0 million) from a financial institution





CHAIRLADY'S STATEMENT



CHAIRLADY'S STATEMENT



**THE GROUP'S
REVENUE WAS
HK\$2,005.7
MILLION, AND
THE PROFIT
ATTRIBUTABLE
TO EQUITY
HOLDERS OF
THE COMPANY
INCREASED BY
12.7% YEAR-
ON-YEAR TO
HK\$451.7
MILLION**



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 six months ended 30 June 2020 (the "Period").

To support and promote the philosophy of "*Lucid Waters and Lush Mountains are Invaluable Assets*", the Central People's Government of the PRC ("Central Government") continued to embed ecological civilization in the nation's overall development plan, seek harmony between human and nature, attach great importance to environmental protection, encourage the development of green, low carbon and circular economy. As 2020 denotes the last year of the 13th Five Year Plan (「十三五」規劃), the Central Government has issued various opinions and directives to support the healthy development of the WTE industry. Canvest continued to benefit from favorable policies and initiatives and fully capture the market development opportunities. The Group actively promotes green and circular economy and develops its WTE and environmental protection business, and has achieved steady business growth.

FINANCIAL PERFORMANCE

In the first half of 2020, the Group's revenue was HK\$2,005.7 million, and the profit attributable to equity holders of the Company increased by 12.7% year-on-year to HK\$451.7 million. The increase was mainly attributable to the improvement in the efficiency of the operating plants.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board has proposed the declaration of an interim dividend of HK3.7 cents per ordinary share for the six months ended 30 June 2020 (corresponding period of 2019: HK3.2 cents).

CHAIRLADY'S STATEMENT

BUSINESS REVIEW

As at 30 June 2020, we had 30 WTE projects with total daily MSW processing capacity of 45,640 tonnes, of which 14 projects were in operation with total daily MSW processing capacity of 18,340 tonnes, and the remaining 16 projects were under construction or were planning according to schedule. As at the date of this interim report, our portfolio further increased to 32 WTE projects, with total daily MSW processing capacity amounted to 47,490 tonnes.

During the Period, Canvest successfully expanded its geographic footprint to Liaoning Province through the addition of Yingkou WTE project. The Group also acquired the Xiangyun WTE project, further increasing the market share in Yunnan Province. During the first half of 2020, Xinyi WTE plant and Phase I of Dianbai WTE plant had commenced trial operation and started to generate operating revenue for the Group.

Canvest is committed to the sustainability of the environment. In the first half of 2020, the Group innocuously treated 3,297,000 tonnes of MSW and generated 1,272,051,000 kWh of green electricity, reduced emission of carbon dioxide equivalent by 1,886,000 tonnes and saved 378,000 tonnes of standard coal.

During the period, Canvest continued its effort to promote the betterment of the environment. One of the key initiatives was to ensure every WTE plant would organize a tree planting event, to raise awareness of the many benefits of greeneries, such as noise reduction, temperature cooling, oxygen production and absorption of carbon dioxide. Furthermore, maintaining a beautiful plant site creates harmony in the surrounding environment and establishes goodwill that is well received by the local communities.

OUTLOOK

During the period, the Central Government has published several new policies related to the WTE industry, in particular, the "Opinions on Facilitating the Sound Development of Power Generation Through Non-water Renewable Energy" (《關於促進非水可再生能源發電健康發展的若干意見》— 財建[2020]4號) and "Measures for the Administration of Additional Subsidies for Renewable Energy Electricity Prices" (《關於印發《可再生能源電價附加補助資金管理辦法》的通知》— 財建[2020]5號) jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration, and the "Guiding Opinions on Building Contemporary Environmental Governance System" (《關於構建現代環境治理體系的指導意見》) jointly published by the General Office of the Communist Party and the State Council in March 2020. The new policies provide guidance on the reform of the tariff subsidy system, and promote fiscal, taxation, financial support to the industry value chain. We are pleased to see the release of these policies, and will work closely with local governments to support the sustained development of the WTE industry.

In June 2020, the Ministry of Finance and Ministry of Ecology and Environment jointly published the "Notice on the Suspension of Subsidies for Renewable Energy Electricity Prices of Waste-to-Energy Plants Violating Environmental Standards" (《關於核減環境違法垃圾焚燒發電項目可再生能源電價附加補助資金的通知》— 財建[2020]199號), requiring WTE plants to install pollutant emission automatic monitoring devices, to have electronic display at the entrance of the plants to disclose real-time pollutant emission and operation data, and to connect automatic monitoring devices online with the environmental department, in order to enjoy subsidy. Any non-compliance, such as failure to display data, failure to meet environmental standards, or displaying forging data may result in reduction in subsidy amount, or even disqualification from the subsidy scheme entirely. The new policy reflects the Central Government's commitment to ensure full compliance of the environmental standards by WTE plants, which will help to foster healthy development and bring new opportunities to the WTE industry. As a leading integrated environmental protection and sanitation solution provider adhering to high operating and environmental standards, we welcome the new policy, as we believe that maintaining high standards will promote and support the long term and sustainable development of our industry.

CHAIRLADY'S STATEMENT

The outbreak of COVID-19 since the beginning of 2020 has caused significant impact to the world, resulting in global economic slowdown and posing increased uncertainties to business operations. To protect the health and safety of our staff and maintain the normal operation of our plants, the Group had adopted pandemic and prevention control measures in a timely manner and provided sufficient sanitization and protective supplies. In addition, the Group worked closely with local governments to provide timely treatment of non-hazardous medical waste, and had implemented special procedures in our MSW treatment process to prevent secondary transmission of viruses. We have also donated protective supplies and provided financial support to those in need, supporting local communities to fight against the virus.

Despite immense challenges and unprecedented uncertainties posed by the outbreak of COVID-19, the Group will continue its mission “to protect the blue sky and clean water, and build a beautiful home”, to focus on quality projects, uphold high operating standards, and create synergies with our strategic partners. We will fully capture the business opportunities in the market, make contribution to the society and achieve steady and sustained growth.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, business partners and stakeholders for their continued and unfailing support, and to our staff members for their dedication and hard work. Canvest is committed to its corporate philosophy to “unite as one, work meticulously and strive for excellence” to achieve sustainable growth and create values for all our stakeholders.

Lee Wing Yee Loretta

Chairlady

Hong Kong, 20 August 2020



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the global business and macroeconomic environment experienced unprecedented changes as a result of the COVID-19 pandemic. As at the date of this interim report, the outbreak of the pandemic is still spreading and its impact will probably last for a long time. To tackle the outbreak of COVID-19, the Group established a dedicated leadership team to formulate the preventive and control plan of the Group, provide guidance to project companies, monitoring the implementation of the safety measures by project companies, as well as central procurement and distribution of preventive gears and disinfectants.

As a responsible corporate citizen, aside from our donations to charities, we sent protective masks or materials to the society and handled non-hazardous medical wastes under the full supervision by professionals. During the period under review and up to the date of this interim report, the outbreak of COVID-19 had no material impact on our operations of the WTE projects. The Group will closely monitor and assess the impact of this disease and will take more proactive measures as appropriate. As at the date of this interim report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

Following the implementation of “Regulation on the Application of Automatic Monitoring Data of WTE Plant” (生活垃圾焚燒發電廠自動監測數據應用管理規定), which all WTE plants must connect the automatic monitoring equipment with the ecology and environmental departments with effect from 1 January 2020. Ministry of Finance and Ministry of Ecology and Environment of the Peoples’ Republic of China jointly announced the “Notice on the Suspension of Subsidies for Renewable Energy Electricity Prices of Waste-to-Energy Plants Violating Environmental Standard” (關於核減環境違法垃圾焚燒發電項目可再生能源電價附加補助資金的通知). It clearly stated that pre-requisite conditions for the application to the Projects List of Renewable Energy Electricity Subsidies (可再生能源發電補貼項目清單) and the conditions of reduction, suspension, restoration and removal of subsidy as a results of environmental law violations.

In August 2020, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment of the People’s Republic of China jointly published the “Implementation Plan on Municipal Solid Waste Sorting and Remedy the Shortcomings and Strengthening the weakness in Processing Facility” (城鎮生活垃圾分類和處理設施補短板強弱項實施方案). It clearly stated that the area, with over 300 tonnes daily MSW, should mainly adopt waste incineration and basically achieve zero MSW to landfill in 2023, upgrade the WTE project to ensure stable emission can meet the discharge standard. With the implementation of the abovementioned laws and regulations, we look forward to seeing the development of the industry in a healthy manner for the next several years.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the six months ended 30 June 2020, the Group's revenue was HK\$2,005.7 million (corresponding period in 2019: HK\$2,004.0 million). Revenue from power sales and waste treatment was HK\$941.2 million (corresponding period in 2019: HK\$853.8 million). The operating profit was HK\$629.1 million (corresponding period in 2019: HK\$566.0 million). Profit attributable to equity holders of the Company was HK\$451.7 million (corresponding period in 2019: HK\$400.8 million), representing an increase of 12.7%. Basic earnings per share was HK18.6 cents (corresponding period in 2019: HK16.3 cents).

During the period under review, the Group's implementation of innocuous treatment of waste volume amounted to 3,297,000 tonnes. The Group generated 1,272,051,000 kWh from green energy, saving 378,000 tonnes of standard coal and reducing emission of carbon dioxide equivalent by 1,886,000 tonnes.¹

I. WASTE-TO-ENERGY BUSINESS***Projects and Processing Capacity***

As at 30 June 2020, the operating daily MSW processing capacity of 14 projects of the Group reached 18,340 tonnes.

As at 30 June 2020 and the date of this interim report, there are 30 and 32 operating, secured and announced projects in our portfolio, respectively.

Daily MSW processing capacity reached 45,640 tonnes as at 30 June 2020 and the date of this interim report are 47,490 tonnes.

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

	Number of projects	Daily MSW processing capacity (tonnes)
Southern China Region	18	26,790
Western China Region	3	5,000
Eastern China Region	5	8,850
Northern China and Northeast China Regions	5	6,050
Central China Region	1	800
Total	32	47,490

¹ The Group has adopted the methodology as stated in Clean Development Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to calculate and offset greenhouse gas emissions from operating projects. The greenhouse gas emission calculation methodologies account for the carbon dioxide equivalent emitted from fossil fuels used for electricity generation and emissions from the combustion of MSW, and methane released from the wastewater treatment process.

MANAGEMENT DISCUSSION AND ANALYSIS

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

		Six months ended 30 June	
		2020	2019
Southern China Region	Guangdong Province		
	Processed MSW (tonnes)	2,470,836	2,169,363
	Power generated (MWh)	993,364	901,441
	Power sold (MWh)	872,214	793,868
	Guizhou Province		
	Processed MSW (tonnes)	216,437	203,229
	Power generated (MWh)	77,200	67,752
	Power sold (MWh)	64,771	56,220
	Guangxi Zhuang Autonomous Region		
Processed MSW (tonnes)	454,483	355,112	
Power generated (MWh)	142,673	121,644	
Power sold (MWh)	125,178	105,994	
Central China Region	Jiangxi Province		
	Processed MSW (tonnes)	154,920	109,155
	Power generated (MWh)	58,814	33,922
	Power sold (MWh)	51,409	28,709
Total	Processed MSW (tonnes)	3,296,676	2,836,859
	Power generated (MWh)	1,272,051	1,124,759
	Power sold (MWh)	1,113,572	984,791

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

Southern China Region

Guangdong Province

Eco-Tech I & II WTE plants, Kewei WTE plant, China Scivest I & II WTE plants, Zhanjiang WTE plant, Zhongshan WTE plant and Phase 1 of Lufeng WTE plant continued to provide contributions during the period under review.

Phase 1 of Dianbai WTE plant and Xinyi WTE plant commenced trial operation in first half 2020. Qingyuan WTE plant, Shaoguan WTE plant, Xuwen WTE plant and Machong WTE plant are under construction.

The transaction in relation to the acquisition of 100% equity interest of Zhongshan Guangye was completed in January 2020.

Guizhou Province

Xingyi WTE plant continued to provide contributions during the period under review and Liping WTE plant is in the planning stage.

MANAGEMENT DISCUSSION AND ANALYSIS

Guangxi Zhuang Autonomous Region

Laibin WTE plant and Beiliu WTE plant continued to provide contributions during the period under review.

Western China Region

The Group holds 50% equity interest in Jianyang Canvest, which in turn holds the Jianyang WTE plant. Phase 1 of Jianyang WTE plant and Ruili WTE plant are under construction.

On 6 January 2020, Kewei entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun, a company established under the laws of the PRC with limited liability, at a consideration of RMB4.0 million (equivalent to HK\$4.5 million). Xiangyun Shengyun owns the BOT concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province with a total daily MSW processing capacity of 1,000 tonnes. The plant is in the planning stage.

Eastern China Region

Jingjiang WTE plant, Baoshan WTE plant and Shen County WTE plant are in the planning stage.

In July 2020, the Group was conditionally awarded the WTE plant PPP project located in Taizhou City, Jiangsu Province. The total daily MSW processing capacity of this WTE plant shall be 850 tonnes. The project is currently under planning.

Phase 1 of Zaozhuang WTE plant is under technological upgrade and phase 2 of this plant is under construction, which will be expected to commence trial operation by end of 2020.

Northern China and Northeast China Region

Linfen WTE plant and Wuchang WTE plant are in the planning stage and Mancheng WTE plant is under construction.

In July 2020, the Group was awarded the PPP project in relation to WTE plant located in Hunyuan County, Shanxi Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The project is currently under planning.

On 20 January 2020, Kewei has entered into the framework agreement in relation to the WTE plant PPP project located in Yingkou City, Liaoning Province with the Bureau of Housing and Urban-Rural Development in Yingkou City. The total daily MSW processing capacity of this WTE plant shall be 2,250 tonnes. The Yingkou WTE Plant shall be constructed in two phases, of which the processing capacity of phase 1 shall be 1,500 tonnes and phase 2 shall be 750 tonnes. Phase 1 of this project is under construction.

Central China Region*Jiangxi Province*

Xinfeng WTE plant continued to provide contributions during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ENVIRONMENTAL HYGIENE AND RELATED SERVICES

For the six months ended 30 June 2020, Dongguan Xindongyue processed 54,692 tonnes solidified fly ash and provided contributions to the Group.

Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC, is under trial operation.

Sichuan Jiajieyuan, a renowned environmental hygiene and related services player in the PRC, and Johnson, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong, continued to provide stable contributions during the period under review. In July 2020, Sichuan Jiajieyuan was awarded the MSW transportation contract in Laibin City, Guangxi Zhuang Autonomous Region.

REVENUE

During the period under review, the Group's revenue reached HK\$2,005.7 million, as compared with the revenue amounted to HK\$2,004.0 million in the corresponding period in 2019. Among that, revenue from power sales and waste treatment fees for the period under review reached HK\$941.2 million, representing an increase of 10.2% from the corresponding period in 2019.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Revenue from power sales	673,143	33.6%	612,929	30.6%
Revenue from waste treatment fees	268,031	13.4%	240,884	12.0%
Construction revenue arising from BOT arrangement	962,350	48.0%	1,053,970	52.6%
Finance income arising from BOT arrangement	46,908	2.3%	44,143	2.2%
Environmental hygiene services income	55,306	2.7%	52,104	2.6%
Total	2,005,738	100.0%	2,004,030	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of the Group's revenue by region for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Southern China Region	1,492,004	74.4%	1,852,611	92.4%
Central China Region	41,580	2.1%	99,315	5.0%
Western China Region	122,316	6.1%	52,104	2.6%
Northern China and Northeast China Region	180,405	9.0%	—	—
Eastern China Region	169,433	8.4%	—	—
Total	2,005,738	100.0%	2,004,030	100.0%

COST OF SALES

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

During the period under review, cost of sales decreased by 4.2% from HK\$1,385.8 million in 2019 to HK\$1,327.5 million in 2020. It was mainly attributable to the decrease in construction cost.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the period under review, gross profit of the Group amounted to HK\$678.3 million, representing an increase of 9.7% as compared to HK\$618.3 million in 2019. The increase in gross profit was mainly attributable to the improvement in the efficiency of the operating plants.

The following table sets forth the breakdown of the Group's gross profit by nature for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Power sales and waste treatment operations	459,286	67.7%	391,017	63.2%
Construction service arising from BOT arrangement	160,390	23.7%	175,375	28.4%
Finance income arising from BOT arrangement	46,908	6.9%	44,143	7.1%
Environmental hygiene services income	11,699	1.7%	7,733	1.3%
Total	678,283	100.0%	618,268	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit margin of the Group increased from 30.9% in the corresponding period of 2019 to 33.8% in the current period of 2020. The increase was mainly due to the improvement in the efficiency of the operating plants.

	Six months ended 30 June	
	2020	2019
	Gross profit margin	Gross profit margin
Power sales and waste treatment operations	48.8%	45.8%
Construction service arising from BOT arrangement	16.7%	16.7%
Finance income arising from BOT arrangement	100.0%	100.0%
Environmental hygiene services income	21.2%	14.8%
Gross profit margin of the Group	33.8%	30.9%

GENERAL AND ADMINISTRATIVE EXPENSES

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

General administrative expenses increased by 0.8% from HK\$120.3 million in the corresponding period of 2019 to HK\$121.2 million in the current period of 2020. It was mainly due to additional plants under operation.

OTHER INCOME

Other income mainly consisted of VAT refund, government grants and others. Other income increased by 11.9% from HK\$76.3 million in the corresponding period of 2019 to HK\$85.4 million in the current period of 2020. The increase was mainly due to the additional operating plants that were entitled to have VAT refund, sewage treatment income from certain WTE plants and VAT relief to Sichuan Jiajieyuan due to the outbreak of COVID-19.

OTHER LOSSES, NET

During the period under review, other net losses recorded HK\$13.4 million as compared to HK\$8.3 million in the corresponding period of 2019. The increase was mainly due to increase in foreign exchange loss.

INTEREST EXPENSE, NET

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. Net interest expenses increased by 37.6% from HK\$104.2 million in the corresponding period of 2019 to HK\$143.4 million in the current period of 2020. The increase in interest expenses was due to the increase in borrowings.

INCOME TAX EXPENSES

Income tax expenses increased by 6.3% from HK\$75.6 million in the corresponding period of 2019 to HK\$80.4 million in the current period of 2020. It was mainly attributable to the increase in current enterprise income tax incurred by Eco-Tech II WTE plant as a result of transiting from full tax exemption in the corresponding period of 2019 to half tax exemption in the corresponding period of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company increased by 12.7% from HK\$400.8 million in the corresponding period of 2019 to HK\$451.7 million in the current period of 2020.

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES***Financial resources***

During the period under review, the Group generated HK\$518.5 million in cash from operating projects (corresponding period in 2019: HK\$350.1 million). Net cash used for the construction of various WTE plants under BOT arrangements amounted to HK\$1,184.5 million (corresponding period in 2019: HK\$621.1 million). As a result, the total net cash used in operating activities amounted to HK\$666.0 million during the period under review (corresponding period of 2019: HK\$271.0 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 30 June 2020, the total cash and cash equivalents of the Group were HK\$1,207.1 million (31 December 2019: HK\$1,020.3 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 30 June 2020, the Group's bank borrowings were HK\$6,650.4 million (31 December 2019: HK\$5,377.0 million). Such bank borrowings were secured by the pledge of certain assets and corporate guarantees. The bank borrowings were denominated in Renminbi and Hong Kong dollars (31 December 2019: same) and all of them were at floating interest rates (31 December 2019: same).

In July 2020, the term loans amounting to HK\$1,409.2 million (the "Loans") have been fully repaid.

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

MANAGEMENT DISCUSSION AND ANALYSIS

On 6 July 2020, Kewei, together with the ultimate beneficial owner of Jianyang Lujiang Biochemical Co., Ltd. (“Jianyang Lujiang”), an independent third party, and his spouse, entered into a joint and several guarantee agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. (“DRC Bank”), pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% equity held by Jianyang Lujiang) a guarantee in the aggregate amount of not exceeding RMB700.0 million (approximately HK\$770.0 million) (equivalent to the total amount of the loan provided by DRC Bank to Jianyang Canvest for development and construction of Jianyang WTE plant). The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Please refer to the announcement of the Company dated 6 July 2020 for further details.

Net asset of the Group was HK\$6,259.8 million (31 December 2019: HK\$6,022.7 million). The increase in net asset was mainly attributable to the profit generated during the period under review.

The following table sets forth the analysis of the Group’s borrowings as at 30 June 2020 and 31 December 2019:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Portion of term loans due to repayment after one year — secured	5,387,112	4,561,520
Portion of term loans due for repayment within one year — secured	1,068,329	735,437
Revolving loan due for repayment within one year — unsecured	195,000	80,000
Total bank borrowings	6,650,441	5,376,957

The gearing ratio is the ratio of total liabilities divided by total assets. As at 30 June 2020, the gearing ratio was 58.1% (31 December 2019: 55.3%).

As at 30 June 2020, the Group had banking facilities (including the Loans) in the amount of HK\$10,032.1 million, of which HK\$3,378.2 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

Cost of Borrowings

For the six months ended 30 June 2020, the total cost of borrowings of the Group was HK\$148.1 million (corresponding period in 2019: HK\$106.9 million), representing an increase of HK\$41.2 million. The increase was due to the interest expenses in relation to the increase in borrowings. Effective interest rate ranged from 2.06% to 5.81% for the six months ended 30 June 2020 (corresponding period in 2019: 2.50% to 5.39%).

FOREIGN EXCHANGE RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 30 June 2020, the Group's capital commitments in relation to construction cost for BOT, which were authorised but not contracted for, amounted to HK\$3,514.2 million (31 December 2019: HK\$4,457.0 million). Its capital commitment contracted for but not yet provided for in the condensed consolidated interim financial information in relation to construction cost for BOT amounted to HK\$3,894.3 million (31 December 2019: HK\$1,504.3 million), acquisition of subsidiaries amounted to HK\$2.6 million (31 December 2019: HK\$29.0 million), capital injection to Zaozhuang Zhongke amounted to HK\$86.3 million (31 December 2019: HK\$88.0 million), which will be settled through recapitalisation of future profit of Zaozhuang Zhongke, and capital injection to associates and a joint venture amounted to HK\$164.9 million (31 December 2019: HK\$206.5 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF MATERIAL CAPITAL ASSETS IN THE FUTURE***Acquisition of 100% equity interest in Xiangyun Shengyun***

On 6 January 2020, Kewei entered into an equity transfer agreement with Anhui Shengyun Environmental Protection (Group) Co., Ltd., pursuant to which Kewei agreed to acquire the entire equity interest of Xiangyun Shengyun at a total consideration of RMB4.0 million (approximately equivalent to HK\$4.5 million).

Xiangyun Shengyun owns the concession right to build and operate a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province. The total daily MSW processing capacity of Xiangyun WTE Plant is 1,000 tonnes. Please refer to the announcement of the Company dated 6 January 2020 for further details.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the six months ended 30 June 2020. Apart from those disclosed in this interim report, there were no other material investments or additions of capital assets authorised by the Board at the date of this interim report.

CAPITAL EXPENDITURES

For the six months ended 30 June 2020, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK\$814.6 million (corresponding period in 2019: HK\$890.9 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

CONTINGENT LIABILITIES

The Group holds 49% equity interest in Dongguan Xindongyuan, which holds 30% equity interest in Dongguan Xindongqing. As at 30 June 2020, the Group provided a guarantee of RMB32.3 million (approximately HK\$35.4 million) for bank loans of Dongguan Xindongqing.

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2020.

PLEDGE OF ASSETS

As at 30 June 2020, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, property, plant and equipment, and concession rights (31 December 2019: certain of its rights to collect revenue from power sales, waste handling services and environmental hygiene services, property, plant and equipment, and concession rights) with an aggregate carrying amount of HK\$7,990.0 million (31 December 2019: HK\$6,342.1 million) to certain banks to secure certain credit facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS

On 12 July 2018, the Company entered into the leasing framework agreement (“Leasing Framework Agreement”) with Yue Xing in relation to the leasing of its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive). This transaction is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules. The annual cap for the transaction for the period from 13 July 2018 to 31 December 2018 is RMB3.5 million. The annual caps for the financial years ending 31 December 2019 and 2020 are RMB7.0 million and RMB7.0 million, respectively, and the annual cap for the period from 1 January 2021 to 30 June 2021 is RMB3.5 million. For the six months ended 30 June 2020, the rent paid by the Group to Yue Xing was HK\$3.6 million (corresponding period of 2019: HK\$3.2 million). Please refer to the announcement of the Company dated 12 July 2018 for further details.

HUMAN RESOURCES

As at 30 June 2020, the Group employed a total of 3,071 employees, 61 of them were at management level. By geographical locations, it had 3,044 employees in the PRC and 27 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). Total remuneration costs, including Directors’ remuneration, for the six months ended 30 June 2020 were HK\$158.7 million (corresponding period in 2019: HK\$155.2 million).

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

EVENTS AFTER BALANCE SHEET DATE

- (a) On 6 July 2020, Jianyang Canvest (a joint venture with 50% equity held by the Group and 50% equity held by Jianyang Lujiang) entered into the loan agreement with DRC Bank, pursuant to which DRC Bank will provide the Jianyang Canvest with a loan in an aggregate amount of RMB700.0 million (approximately HK\$770.0 million) with a term of not more than 180 months for the development and construction of the Jianyang WTE Plant.

MANAGEMENT DISCUSSION AND ANALYSIS

Kewei, together with the ultimate beneficial owner of Jianyang Lujiang and his spouse, entered into the guarantee agreement with DRC Bank, pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700.0 million (approximately HK\$770.0 million) (equivalent to the total amount of the loan), inclusive of principal, corresponding interest, default interest, compound interest, liquidated damages and deferred payment, as well as necessary and reasonable expenses and all other related expenses incurred in realizing the security right and creditor's rights. The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Further, the shares representing 50% equity of Jianyang Canvest held by Jianyang Lujiang will also be pledged to DRC Bank until the date of the loan is fully repaid.

- (b) On 17 July 2020, the Company (as borrower) entered into the Facility Agreement with a financial institution pursuant to which a term loan facility in the aggregate amount of HK\$1,938.0 million (with incremental facilities of up to a further HK\$1,170.0 million) with a term of 36 months has been granted to the Company. The proceeds of HK\$1,938.0 million have been fully utilized for the repayment of the Loans and general working capital.
- (c) In July 2020, the Group was awarded the PPP project in relation to a WTE plant located in Hunyuan County, Shanxi Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes. The project is currently under planning.
- (d) In July 2020, the Group was awarded the WTE plant PPP project located in Taizhou City, Jiangsu Province. The total daily MSW processing capacity of this WTE plant shall be 850 tonnes. The project is currently under planning.

CHANGES SINCE 31 DECEMBER 2019

Saved as disclosed above, there were no other significant changes in the Group's financial position or information as disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2019.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.7 cents (corresponding period in 2019: HK3.2 cents) per share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Friday, 9 October 2020 to the Shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020.

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 six months ended 30 June 2020, 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 interim report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

CORPORATE GOVERNANCE

The Company has been committed to ever improving its corporate governance and regarded it as an indispensable part of creating values for shareholders. The Company has established a modern corporate governance structure which comprises effectively balanced and independently operated bodies including general meetings, the Board, committees and senior management with reference to the code provisions as set out in the CG Code. The Company has also adopted the CG Code as its code of corporate governance practices.

Major identified risks and uncertainties faced by the Group are set out in details in the 2019 annual report of the Company.

In the opinion of the Board, the Company has complied with the CG Code during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code. After specific enquiry, each of the Directors has confirmed to the Company that he or she had completely complied with the Model Code for the six month period ended 30 June 2020.

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 have posted on corporate website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk), and will be amended by the Board from time to time as appropriate.

AUDIT COMMITTEE

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

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

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

During the six months ended 30 June 2020, the audit committee has held one meeting and performed the following major works:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2019, the related accounting principles and practices adopted by the Group and internal controls related matters; and recommendation of the re-appointment of the external auditor.

CORPORATE GOVERNANCE

The audit committee has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 in conjunction with external auditor. Based on the review and discussion with the management, the audit committee was satisfied that the unaudited condensed consolidated interim financial information were prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2020. The external auditor attended the above meeting to discuss with the audit committee on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the audit committee regarding the appointment of external auditor or the accounting treatment adopted by the Company.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 and reviewed, in the presence of the management of the Group, the accounting principles and practices adopted by the Group, adequacy of resources for performing accounting and financial reporting function, and discussed with them the internal controls and financial reporting matters.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee in compliance with 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 the Directors on the policy and structure for remuneration of all the Directors and senior management and 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 the Directors from time-to-time; (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme; (v) making recommendations to the board on the remuneration of non-executive Directors; (vi) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vii) reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and (viii) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate. No Director should be involved in deciding his/her own remuneration.

During the six months ended 30 June 2020, the remuneration committee has held one meeting to perform the following major works:

- Performance evaluation of Directors and management team; and
- General review and discussion of the remuneration packages of Directors and management team.

CORPORATE GOVERNANCE

NOMINATION COMMITTEE

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

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

During the six months ended 30 June 2020, the nomination committee has held one meeting to perform the following major works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Recommendation of the re-election of the retiring directors standing for re-election at the Company's annual general meeting held on 12 June 2020; and
- Assessment of the independence of all the Company's independent non-executive directors.

CORPORATE GOVERNANCE COMMITTEE

The members of the corporate governance committee comprise Mr. Chan Kam Kwan Jason, Ms. Loretta Lee, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason. The corporate governance functions are performed by the corporate governance committee, which was delegated by the Board. The corporate governance functions are (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; (iv) to develop and review the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters; (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and (vi) to consider any other topics as determined by the Board.

During the six months ended 30 June 2020, the corporate governance committee has held one meeting and performed the following major works:

- Review and assessment of the continuous professional development of Directors and senior management;
- Review of Company's policies and practices on corporate governance; and
- Review of Company's compliance with Appendix 14 to the Listing Rules.

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

Below are the changes of Directors' information since the date of the 2019 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

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

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 28 to 59, which comprises the interim condensed consolidated balance sheet of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2020

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	6	2,005,738	2,004,030
Cost of sales	7	(1,327,455)	(1,385,762)
Gross profit		678,283	618,268
General and administrative expenses	7	(121,208)	(120,256)
Other income	8	85,360	76,280
Other losses, net	9	(13,384)	(8,292)
Operating profit		629,051	566,000
Interest income	10	4,725	2,718
Interest expense	10	(148,143)	(106,913)
Interest expense, net		(143,418)	(104,195)
Share of net profits of associates and a joint venture		47,177	14,059
Profit before income tax		532,810	475,864
Income tax expense	11	(80,403)	(75,604)
Profit for the period		452,407	400,260
Profit attributable to:			
Equity holders of the Company		451,688	400,771
Non-controlling interests		719	(511)
		452,407	400,260
Earnings per share			
— basic (expressed in HK cents per share)	12(a)	18.6	16.3
— diluted (expressed in HK cents per share)	12(b)	18.6	16.3

The notes on pages 36 to 59 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period	452,407	400,260
Other comprehensive loss, net of tax: <i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	(119,809)	(20,703)
Other comprehensive loss for the period, net of tax	(119,809)	(20,703)
Total comprehensive income for the period	332,598	379,557
Total comprehensive income attributable to:		
Equity holders of the Company	340,449	380,063
Non-controlling interests	(7,851)	(506)
	332,598	379,557

The notes on pages 36 to 59 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
ASSETS			
Non-current assets			
Right-of-use assets	14	131,769	139,288
Property, plant and equipment	15	1,236,393	1,305,361
Intangible assets	16	8,289,627	7,112,119
Interests in associates and a joint venture		852,203	774,433
Deferred tax asset		7,242	11,163
Long-term deposits and prepayments	17	384,612	621,026
Receivables under service concession arrangements	18	1,586,362	1,336,113
		12,488,208	11,299,503
Current assets			
Inventories		10,761	6,619
Other receivables, deposits and prepayments	17	439,229	533,980
Receivables under service concession arrangements	18	133,112	103,485
Trade and bills receivables	17	620,239	465,916
Restricted deposits	19	42,213	36,937
Cash and cash equivalents		1,207,141	1,020,327
		2,452,695	2,167,264
Total assets		14,940,903	13,466,767
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	24,395	24,405
Share premium		2,640,551	2,644,040
Other reserves		397,157	437,600
Retained earnings		3,001,592	2,717,222
		6,063,695	5,823,267
Non-controlling interests		196,126	199,440
Total equity		6,259,821	6,022,707

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	5,387,112	4,561,520
Lease liabilities	22	—	1,073
Deferred income tax liabilities		624,497	537,757
Deferred government grants	23	134,381	105,954
Other non-current liabilities		5,615	5,109
Other payables	24	169,551	177,244
		6,321,156	5,388,657
Current liabilities			
Trade and other payables	24	1,037,467	1,179,169
Current income tax liabilities		48,744	46,332
Bank borrowings	21	1,263,329	815,437
Lease liabilities	22	4,506	6,794
Deferred government grants	23	5,880	7,671
		2,359,926	2,055,403
Total liabilities		8,681,082	7,444,060
Total equity and liabilities		14,940,903	13,466,767
Net current assets		92,769	111,861
Total assets less current liabilities		12,580,977	11,411,364

The notes on pages 36 to 59 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	(Unaudited)												
	Attributable to equity holders of the Company												
	Share capital	Share premium	Treasury shares	Shares held for share award scheme	Capital reserve	Statutory reserve	Other reserves	Share option reserve	Exchange reserve	Retained earnings	Sub-total	Non controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	24,405	2,644,040	(3,499)	(37,513)	704,944	309,863	(176,369)	5,834	(365,660)	2,717,222	5,823,267	199,440	6,022,707
Comprehensive income													
Profit for the period	—	—	—	—	—	—	—	—	—	451,688	451,688	719	452,407
Other comprehensive loss													
Currency translation differences	—	—	—	—	—	—	—	—	(111,239)	—	(111,239)	(8,570)	(119,809)
Total comprehensive income for the period	—	—	—	—	—	—	—	—	(111,239)	451,688	340,449	(7,851)	332,598
Appropriation of statutory reserve	—	—	—	—	—	67,297	—	—	—	(67,297)	—	—	—
Dividend approved in respect of the previous year (Note 13)	—	—	—	—	—	—	—	—	—	(100,021)	(100,021)	—	(100,021)
Cancellation of ordinary share bought back in previous year (Note 20(a))	(10)	(3,489)	3,499	—	—	—	—	—	—	—	—	—	—
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	4,537	4,537
Balance at 30 June 2020	24,395	2,640,551	—	(37,513)	704,944	377,160	(176,369)	5,834	(476,899)	3,001,592	6,063,695	196,126	6,259,821
Representing:													
2020 declared interim dividend (Note 13)										90,264			
Other retained earnings										2,911,328			
										<u>3,001,592</u>			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	(Unaudited)											
	Attributable to equity holders of the Company											
	Share capital	Share premium	Treasury shares	Capital reserve	Statutory reserve	Other reserves	Share option reserve	Exchange reserve	Retained earnings	Sub-Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	24,549	2,695,700	—	704,944	200,018	(176,369)	5,834	(240,200)	2,078,827	5,293,303	1,110	5,294,413
Comprehensive income												
Profit for the period	—	—	—	—	—	—	—	—	400,771	400,771	(511)	400,260
Other comprehensive loss												
Currency translation differences	—	—	—	—	—	—	—	(20,708)	—	(20,708)	5	(20,703)
Total comprehensive income for the period	—	—	—	—	—	—	—	(20,708)	400,771	380,063	(506)	379,557
Appropriation of statutory reserve	—	—	—	—	28,871	—	—	—	(28,871)	—	—	—
Dividend approved in respect of the previous year	—	—	—	—	—	—	—	—	(66,283)	(66,283)	—	(66,283)
Buy-back and cancellation of ordinary shares	—	—	(51,804)	—	—	—	—	—	—	(51,804)	—	(51,804)
Balance at 30 June 2019	24,549	2,695,700	(51,804)	704,944	228,889	(176,369)	5,834	(260,908)	2,384,444	5,555,279	604	5,555,883
Representing:												
2019 declared interim dividend (Note 13)									78,099			
Other retained earnings									2,306,345			
									<u>2,384,444</u>			

The notes on pages 36 to 59 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cash flows from operating activities		
Profit before income tax	532,810	475,864
Adjustment for:		
Construction revenue arising from build-operate-transfer ("BOT") arrangement	(962,350)	(1,053,970)
Finance income arising from BOT arrangement	(46,908)	(44,143)
Share of net profits of associates and a joint venture	(47,177)	(14,059)
Depreciation of property, plant and equipment	62,893	62,862
Amortisation of intangible assets	128,556	100,653
Amortisation of right-of-use assets	5,033	5,137
Amortisation of deferred government grant	(4,057)	(2,448)
Interest income	(4,725)	(2,718)
Interest expense	148,143	106,913
Exchange differences	12,495	8,402
Loss/(gain) on disposals of property, plant and equipment	889	(110)
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)		
— Non-current prepayments	(84,000)	(59,692)
— Inventories	(3,537)	(1,547)
— Trade and bills receivables, other receivables and receivables under service concession arrangements	33,981	(232,401)
— Trade and other payables	(397,867)	401,989
Net cash used in operations	(625,821)	(249,268)
Income tax paid	(40,181)	(21,775)
Net cash used in operating activities	(666,002)	(271,043)
Cash flows from investing activities		
Deposits paid for investments	(21,403)	(60,280)
Payments for purchase of property, plant and equipment	(34,887)	(45,737)
Proceeds from disposals of property, plant and equipment	371	118
Increase in restricted deposits	(6,040)	(9,454)
Acquisition of subsidiaries	15,405	(34,445)
Capital injection and loan to associates and a joint venture	(37,805)	(141,155)
Interest received from bank deposits	2,130	2,718
Interest received from an associate	1,290	—
Net cash used in investing activities	(80,939)	(288,235)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cash flows from financing activities		
Proceeds from bank borrowings	1,632,204	810,592
Repayments of bank borrowings	(525,412)	(341,044)
Interest paid	(157,310)	(103,830)
Principal elements of lease payments	(3,361)	(3,221)
Interest elements of lease payments	(138)	(277)
Capital contributions from non-controlling interests	4,537	—
Payments for shares bought back	—	(51,804)
Net cash generated from financing activities	950,520	310,416
Net increase/(decrease) in cash and cash equivalents	203,579	(248,862)
Cash and cash equivalents at beginning of period	1,020,327	1,317,431
Currency translation differences	(16,765)	(135)
Cash and cash equivalents at end of period	1,207,141	1,068,434

The notes on pages 36 to 59 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Canvest Environmental Protection Group Company Limited (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, as combined and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are engaged in the provision of environmental hygiene and related services and operation and management of waste-to-energy ("WTE") plants.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 20 August 2020.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Significant events and transactions

- (a) On 26 November 2019, the Group entered into the equity transfer agreement with the vendors to acquire the entire equity interest of Zhongshan City Guangye Longcheng Environmental Company Limited ("Zhongshan Guangye") at a total consideration of RMB340,000,000 (equivalent to approximately HK\$379,542,000) (subject to downwards adjustment). Zhongshan Guangye owns the concession right to operate a WTE plant in Zhongshan, Guangdong. The daily municipal solid waste ("MSW") processing capacity of the Zhongshan WTE Plant is 1,040 tonnes. The transaction was completed in January 2020.
- (b) On 6 January 2020, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Xiangyun Shengyun Environmental Energy Co., Ltd ("Xiangyun Shengyun"), a company incorporated in the People's Republic of China ("PRC") with limited liability, at a consideration of RMB4,000,000 (equivalent to approximately HK\$4,470,000). Xiangyun Shengyun owns the BOT concession right to a WTE plant in Xiangyun County, Dali Bai Autonomous Prefecture, Yunnan Province with a total daily MSW processing capacity of 1,000 tonnes. As at the date of approval for issue of this condensed consolidated interim financial information, the transaction has yet to be completed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION (Continued)**Significant events and transactions** (Continued)

- (c) On 20 January 2020, the Group has entered into the framework agreement in relation to the WTE plant public-private-partnership project located in Yingkou City, Liaoning Province with the Bureau of Housing and Urban-Rural Development in Yingkou City. The total daily MSW processing capacity of this WTE plant shall be 2,250 tonnes.
- (d) After the outbreak of Coronavirus Disease in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In the meantime, the Group has implemented precautionary and control measures in all projects to fight against this disease and safeguard its employees and business operations. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group. As at the date of approval for issue of this condensed consolidated interim financial information, the Group was not aware of any material adverse effects on the condensed consolidated interim financial information as a result of this disease.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**5.1 Financial risk factors**

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.

This condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

There have been no changes in the risk management policies since year end.

5.2 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 cash used in operating activities for the six months ended 30 June 2020 is approximately HK\$666,002,000 (six months ended 30 June 2019: HK\$271,043,000), including net operating cash used in relation to the construction of the WTE plants under BOT arrangements of approximately HK\$1,184,470,000 (six months ended 30 June 2019: HK\$621,102,000). Excluding the operating cash outflow in relation to the construction of the WTE plants under BOT arrangements, the Group generated operating cash of approximately HK\$518,468,000 (six months ended 30 June 2019: HK\$350,059,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

The tables below analyse the Group's contractual maturities for its non-derivative financial liabilities (excluding statutory liabilities) as at 30 June 2020 and 31 December 2019. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but within 5 years HK\$'000	More than 5 years HK\$'000	Total contracted cash flow HK\$'000
As at 30 June 2020 (Unaudited)					
Bank borrowings (including interest)	1,563,353	1,452,562	3,138,266	1,590,721	7,744,902
Lease liabilities	6,416	—	—	—	6,416
Trade and other payables	929,165	169,551	—	—	1,098,716
	2,498,934	1,622,113	3,138,266	1,590,721	8,850,034
As at 31 December 2019 (Audited)					
Bank borrowings (including interest)	1,072,418	1,232,570	2,716,364	1,280,532	6,301,884
Lease liabilities	7,012	2,893	—	—	9,905
Trade and other payables	1,072,511	177,244	—	—	1,249,755
	2,151,941	1,412,707	2,716,364	1,280,532	7,561,544

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**5.3 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 six months ended 30 June 2020, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and retained earnings would have been approximately HK\$62,658,000 (six months ended 30 June 2019: HK\$42,571,000) lower/higher as a result of higher/lower interest expense on bank borrowings. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to cash flow interest rate risk for bank borrowings in existence at the balance sheet date.

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

5.4 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**5.4 Capital risk management** (Continued)

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 interim condensed consolidated balance sheet, plus net debt. The net debt to total capital ratios at 30 June 2020 and 31 December 2019 were as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Bank borrowings (Note 21)	6,650,441	5,376,957
Less: cash and cash equivalents	(1,207,141)	(1,020,327)
Net debt	5,443,300	4,356,630
Total equity	6,259,821	6,022,707
Total capital	11,703,121	10,379,337
Net debt to total capital ratio	47%	42%

As at 30 June 2020, bank borrowings of HK\$3,678,790,000 (as at 31 December 2019: HK\$2,987,889,000) are subjected to the fulfilment of covenants relating to certain financial ratios. If the Group were to breach the covenants, bank borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants.

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Trade and bills receivables
- Deposits and other receivables
- Restricted deposits
- Cash and cash equivalents
- Trade and other payables
- Bank borrowings
- Lease liabilities

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the six months ended 30 June 2020, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2019: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue is generated in the PRC and most of its non-current assets are located in the PRC for the six months ended 30 June 2020 (2019: same).

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from power sales	673,143	612,929
Waste treatment fee	268,031	240,884
Construction revenue arising from BOT arrangement	962,350	1,053,970
Finance income arising from BOT arrangement	46,908	44,143
Environmental hygiene services income	55,306	52,104
	2,005,738	2,004,030

For the six months ended 30 June 2020, the Group had transactions with one (for the six months ended 30 June 2019: three) customer which individually exceeded 10% of the Group's revenue. Revenue of approximately HK\$369,011,000 was derived from the largest customer for the six months ended 30 June 2020, while revenue of approximately HK\$449,224,000, HK\$391,071,000 and HK\$343,201,000 were derived from the largest, second largest and third largest customer for the six months ended 30 June 2019, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Maintenance cost	74,430	71,294
Environmental protection expenses	115,919	130,529
Remuneration to the Company's auditor		
— Audit services	1,500	1,500
Remuneration to other auditors		
— Audit services	351	356
— Non-audit services	101	195
Employee benefit expenses	158,694	155,200
Depreciation and amortisation		
— Property, plant and equipment	62,893	62,862
— Intangible assets	128,556	100,653
— Right-of-use assets	5,033	5,137
Other lease expenses*	4,685	4,298
Construction cost recognised for construction of BOT projects (included in cost of sales)	801,958	878,595

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

8 OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Value-added tax ("VAT") refund (Note (i))	63,533	60,729
Management income (Note (ii))	—	6,103
Amortisation of deferred government grants (Note (iii))	4,057	2,448
VAT relief (Note (iv))	2,995	—
Others	14,775	7,000
	85,360	76,280

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OTHER INCOME (Continued)

Note:

- (i) The amount represents the Group's entitlement to a VAT refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the VAT on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.
- (ii) Management income for the six months ended 30 June 2019 is derived from the provision of management services to a company whose directors consist of key management personnel from the Group.
- (iii) Government grants recognised were related to the construction of infrastructure under service concession arrangements. There were no unfulfilled conditions and other contingencies attached to the receipts of these grants.
- (iv) The amount represents the Group's entitlement to VAT relief in accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19. There were no unfulfilled conditions and other contingencies attached to the entitlements of such VAT relief. There is no assurance the Group will continue to enjoy such VAT relief in the future.

9 OTHER LOSSES, NET

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss/(gain) on disposal of property, plant and equipment	889	(110)
Exchange losses, net	12,495	8,402
	13,384	8,292

10 INTEREST INCOME AND EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest expense on bank borrowings	(181,617)	(112,871)
Interest expense on lease liabilities	(138)	(277)
Less: amount capitalised on qualifying assets	33,612	6,235
	(148,143)	(106,913)
Interest income from bank deposits	2,130	2,718
Interest income from an associate (Note 27(a)(iii))	2,595	—
Interest expense, net	(143,418)	(104,195)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax		
PRC enterprise income tax ("EIT")	40,778	38,971
Hong Kong profits tax	—	—
Total current income tax	40,778	38,971
Deferred income tax	39,625	36,633
Income tax expense	80,403	75,604

No Hong Kong profits tax has been provided as the subsidiaries incorporated in Hong Kong have no assessable profits during the period (2019: same).

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for the six months ended 30 June 2020 and 2019 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax incentive that the project would be fully exempted from the PRC EIT for three years starting from the tax year in which the project recorded its first operating revenue, followed by a 50% tax reduction for the ensuing three years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 INCOME TAX EXPENSE (Continued)

Subsidiaries	Applicable tax rate Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Dongguan China Scivest Environmental Power Company Limited — phase 2 of its project	0%	0%
Dongguan Eco-Tech Environmental Power Company Limited — phase 1 of its project	12.5%	12.5%
— phase 2 of its project	12.5%	0%
Zhanjiang Canvest Environmental Power Company Limited	12.5%	12.5%
Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited		
— phase 1 of its project	12.5%	12.5%
— phase 2 of its project	12.5%	0%
Laibin Canvest Environmental Power Company Limited	12.5%	0%
Zhongshan Guangye	12.5%	N/A
Beiliu Canvest Environmental Power Company Limited	0%	0%
Lufeng Canvest Environmental Power Company Limited	0%	0%
Xinfeng Canvest Environmental Power Company Limited	0%	0%
Xinyi Canvest Environmental Power Company Limited	0%	25%
Maoming Canvest Environmental Power Company Limited	0%	25%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 EARNINGS PER SHARE**(a) Basic**

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	451,688	400,771
Weighted average number of ordinary shares in issue (thousand shares)	2,429,441	2,452,932
Basic earnings per share (HK cents)	18.6	16.3

(b) Diluted

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

The Company has one category of dilutive potential ordinary share: share options (2019: same). For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic earnings per share.

13 DIVIDENDS

The Board has resolved to declare an interim dividend of HK3.7 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK3.2 cents per ordinary share), payable on Friday, 9 October 2020 to shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020. The interim dividend, amounting to HK\$90,264,000 (six months ended 30 June 2019: HK\$78,099,000), has not been recognised as a dividend payable in the condensed consolidated interim financial information. The amount of interim dividend declared for the six months ended 30 June 2020 was calculated based on the number of ordinary shares in issue at the date of approval for issue of the condensed consolidated interim financial information (i.e. 20 August 2020).

The final dividend of HK4.1 cents per ordinary share for the year ended 31 December 2019 (for the year ended 31 December 2018: HK2.7 cents per ordinary share) has been approved by the shareholders at the annual general meeting of the Company held on Friday, 12 June 2020, and was subsequently paid on Friday, 10 July 2020. The final dividends for the year ended 31 December 2019, amounting to HK\$100,021,000, have been recognised as dividends payable as at 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 RIGHT-OF-USE ASSETS

	Land use right HK\$'000	Office premises HK\$'000	Total HK\$'000
For the six months ended 30 June 2020 (Unaudited)			
Opening net book amount at 1 January 2020	129,863	9,425	139,288
Amortisation (Note 7)	(1,707)	(3,326)	(5,033)
Currency translation differences	(2,486)	—	(2,486)
Closing net book amount at 30 June 2020	125,670	6,099	131,769
For the six months ended 30 June 2019 (Unaudited)			
Opening net book amount at 1 January 2019	136,324	16,079	152,403
Amortisation (Note 7)	(1,811)	(3,326)	(5,137)
Currency translation differences	(503)	—	(503)
Closing net book amount at 30 June 2019	134,010	12,753	146,763

15 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
For the six months ended 30 June 2020 (Unaudited)	
Opening net book amount at 1 January 2020	1,305,361
Additions	12,629
Acquisition of a subsidiary (Note 28)	2,219
Disposals	(1,260)
Depreciation (Note 7)	(62,893)
Currency translation differences	(19,663)
Closing net book amount at 30 June 2020	1,236,393
For the six months ended 30 June 2019 (Unaudited)	
Opening net book amount at 1 January 2019	1,391,567
Additions	12,309
Disposals	(8)
Depreciation (Note 7)	(62,862)
Currency translation differences	(4,454)
Closing net book amount at 30 June 2019	1,336,552

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Concession rights HK\$'000	Contract backlog HK\$'000	Brand name HK\$'000	Total HK\$'000
For the six months ended 30 June 2020 (Unaudited)					
Opening net book amount at 1 January 2020	205,314	6,885,238	5,730	15,837	7,112,119
Additions for BOT arrangements	—	926,835	—	—	926,835
Acquisition of a subsidiary (Note 28)	—	532,836	—	—	532,836
Amortisation (Note 7)	—	(125,419)	(2,577)	(560)	(128,556)
Currency translation differences	(3,954)	(149,264)	(89)	(300)	(153,607)
Closing net book amount at 30 June 2020	201,360	8,070,226	3,064	14,977	8,289,627
For the six months ended 30 June 2019 (Unaudited)					
Opening net book amount at 1 January 2019	209,913	4,723,673	11,185	17,347	4,962,118
Additions for BOT arrangements	—	941,114	—	—	941,114
Amortisation (Note 7)	—	(97,362)	(2,704)	(587)	(100,653)
Currency translation differences	(829)	(34,091)	(17)	(32)	(34,969)
Closing net book amount at 30 June 2019	209,084	5,533,334	8,464	16,728	5,767,610

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Non-current assets		
Deposits for investments	181,204	528,769
Prepayments for property, plant and equipment and concession rights	201,025	89,508
Other prepayments	2,383	2,749
	384,612	621,026
Current assets		
Trade and bills receivables		
— Trade receivables	617,261	461,676
— Bills receivables	2,978	4,240
Other receivables, deposits and prepayments		
— Deposits and prepayments	90,708	82,984
— Other receivables (Note)	105,755	187,584
— Value-added tax recoverable	242,766	263,412
	1,059,468	999,896
	1,444,080	1,620,922

Note: During the year ended 31 December 2019, the Group has entered into an agreement with an entity which is ultimately controlled by the Shanghai municipal government ("Entity"). Pursuant to the terms of the agreement, this Entity shall reimburse the sum paid by the Group for obtaining the shares of Shanghai Shengong Environmental Protection Engineering Co., Ltd. (上海神工環保股份有限公司) and Shanghai Baoshan Shengong Domestic Waste Treatment Company Limited (上海寶山神工生活廢物處置有限公司). Related payments of RMB68,759,000 (equivalent to approximately HK\$75,278,000) (as at 31 December 2019: RMB65,708,000 (equivalent to approximately HK\$73,350,000)) was paid by the Group and was recorded in "other receivables" as at 30 June 2020.

Other than balance mentioned above, as at 31 December 2019, the balance mainly include receivables in relation to the management service income from a company whose directors consist of the Group's key management personnel.

The Group determines the provision for expected credit losses by grouping together trade and bills receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and bills receivables which are long overdue with significant balances, they are assessed individually for impairment allowance. The expected credit losses is minimal as the majority of the trade and bills receivables are due from government authorities in the PRC which has no recent history of default.

The credit period granted by the Group is generally 30 days. The maturity of the bills receivables is within 6 months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Up to 1 month	257,049	208,268
1 to 3 months	118,075	80,259
3 to 6 months	51,465	36,133
Over 6 months	47,370	33,104
	473,959	357,764
Unbilled receivables (Note)	143,302	103,912
	617,261	461,676

Note: Unbilled receivables mainly include government on-grid tariff subsidy receivables for certain projects which will be billed and settled upon the successful completion of government administrative procedures to register the projects pursuant to Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies (關於開展可再生能源發電補貼項目清單審核有關工作的通知) announced by the Ministry of Finance of the PRC.

18 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Receivables under service concession arrangements		
— Non-current asset	1,586,362	1,336,113
— Current asset	133,112	103,485
	1,719,474	1,439,598

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. All of these contract assets are considered to have low risk of default as the counterparties are government authorities and able to meet its contractual cash flow obligations. Therefore, the expected credit loss is considered to be minimal.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RESTRICTED DEPOSITS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Restricted deposits, denominated in RMB	42,213	36,937

As at 30 June 2020, restricted deposits represent deposits pledged for BOT service concession arrangements in relation to various WTE plants in the PRC. The effective interest rate on restricted bank deposits is 0.3%-2.07% per annum (2019: same).

20 SHARE CAPITAL AND RESERVES

(a) Share capital

	Number of shares	Total HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2019, 1 January 2020 and 30 June 2020	5,000,000,000	50,000
Issued and fully paid:		
At 31 December 2019 and 1 January 2020	2,440,579,169	24,405
Cancelled shares (Note)	1,038,000	10
As at 30 June 2020	2,439,541,169	24,395

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SHARE CAPITAL AND RESERVES (Continued)**(b) 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 since the date of grant to 30 June 2020.

(c) Share Award Scheme

On 3 May 2019, the Company adopted the Share Award Scheme to recognise the contributions by Eligible Persons, including employees and directors of companies within the Group, and to give incentives to them in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the board of the Company, the Share Award Scheme is valid and effective for 10 years from the adoption date.

The Company established a trust to purchase shares of the Company and hold them in trust for the benefit of Eligible Persons. Pursuant to the rules of the Share Award Scheme, the Company has appointed a trustee, Bank of Communications Trustee Limited, to administrate the Share Award Scheme and the funds and properties held under the trust during the award period.

On 17 July 2019, 10,100,000 ordinary shares were purchased under the Share Award Scheme at a consideration of HK\$37,513,000.

No shares were granted by the Company under the Share Award Scheme from the adoption date to the date of approval for issue of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 BANK BORROWINGS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
At variable interest rate		
Bank borrowings, secured	6,455,441	5,296,957
Less: Amount included under non-current liabilities	(5,387,112)	(4,561,520)
Amount included under current liabilities	1,068,329	735,437
Unsecured bank borrowings included under current liabilities	195,000	80,000
Total amounts under current liabilities	1,263,329	815,437

As at 30 June 2020, bank borrowings are secured by rights to collect revenue from power sales and waste handling services, property, plant and equipment, intangible assets and corporate guarantees (as at 31 December 2019: right to collect revenue from power sales, waste handling services and environmental hygiene services, property, plant and equipment, intangible assets and corporate guarantees).

22 LEASE LIABILITIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Lease liabilities	4,506	7,867
Less: Amount included under current liabilities	(4,506)	(6,794)
Amount included under non-current liabilities	—	1,073

During the six months ended 30 June 2020, total cash outflow for leases was included in the interim condensed consolidated statement of cash flows in (a) interest paid under "financing activities" of HK\$138,000 (for the six months ended 30 June 2019: HK\$277,000), (b) payment for short-term and low-value assets leases of HK\$4,685,000 (for the six months ended 30 June 2019: HK\$4,298,000) under "operating activities", and (c) principal elements of lease payments of HK\$3,361,000 (for the six months ended 30 June 2019: HK\$3,221,000) under "financing activities".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 DEFERRED GOVERNMENT GRANTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Deferred government grants	140,261	113,625
Less: Amount included under current liabilities	(5,880)	(7,671)
Amount included under non-current liabilities	134,381	105,954

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

24 TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Non-current liabilities		
Other payables (Note)	169,551	177,244
Current liabilities		
Trade payables	168,410	154,002
Dividend payable (Note 13)	100,021	—
Accruals and other payables (Note)	769,036	1,025,167
	1,037,467	1,179,169
	1,207,018	1,356,413

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Up to 1 month	132,069	109,655
1 to 2 months	10,728	13,126
2 to 3 months	7,394	5,820
Over 3 months	18,219	25,401
	168,410	154,002

25 COMMITMENTS**(a) Capital commitments**

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Authorised but not contracted to:		
Construction cost for BOT	3,514,186	4,457,048
Contracted but not provided for:		
Construction cost for BOT	3,894,343	1,504,347
Acquisition of subsidiaries	2,628	29,024
Capital injection (Note)	86,270	87,964
	3,983,241	1,621,335

Note: On 12 December 2018, the Group has entered into the capital increase agreement ("Capital Increase Agreement") with Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") and its existing shareholders. Zaozhuang Zhongke currently holds the BOT concession right to a WTE plant in Zaozhuang City, Shandong Province. The capital injection will be satisfied by cash and recapitalisation of future profit of Zaozhuang Zhongke.

As at 30 June 2020, capital commitment to Zaozhuang Zhongke approximated RMB78,800,000 (equivalent to HK\$86,270,000) (as at 31 December 2019: RMB78,800,000 (equivalent to HK\$87,964,000)) will be settled through recapitalisation of future profit of Zaozhuang Zhongke after the acquisition pursuant to the terms of the Capital Increase Agreement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25 COMMITMENTS (Continued)**(b) Commitments in respect of a joint venture and associates**

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Capital contribution to a joint venture	32,844	55,815
Capital contribution to associates	132,040	150,708

26 FINANCIAL GUARANTEES

As at 30 June 2020, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 21) amounting to HK\$5,007,034,000 (31 December 2019: HK\$3,573,412,000).

The Group holds 49% equity interest in Dongguan Xindongyuan Environmental Investment Company Limited ("Dongguan Xindongyuan"), and accounted for as an associate in the interim condensed consolidated balance sheet, which holds 30% equity interest in Dongguan Xindongqing Environmental Investment Company Limited ("Dongguan Xindongqing"). As at 30 June 2020, the Group provided a guarantee of RMB32,340,000 (approximately HK\$35,406,000) for bank loans of Dongguan Xindongqing (as at 31 December 2019: Nil).

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 30 June 2020 and 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

27 RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

- (i) During the six months ended 30 June 2020, the Group paid rental and related expenses, based on terms that were mutually agreed by both parties, of HK\$3,609,000 for office to a related party which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family (six months ended 30 June 2019: HK\$3,214,000).
- (ii) During the six months ended 30 June 2020, fly ash treatment services provided by an associate to the Group amounted to HK\$36,294,000 (six months ended 30 June 2019: HK\$40,058,000). As at 30 June 2020, included in "Trade payables" are fly ash treatment fee payables of HK\$36,606,000 (at as 31 December 2019: HK\$34,706,000) due to this associate, which are unsecured, interest-free and repayable on credit terms of 10 days after invoices received.
- (iii) As at 30 June 2020, a shareholder's loan of HK\$109,480,000 (as at 31 December 2019: HK\$111,630,000) was due from Dongguan Xindongyuan, and is unsecured and interest-bearing at the rate announced by the People's Bank of China and included in "Interests in associates and a joint venture" in the interim condensed consolidated balance sheet. For the six months ended 30 June 2020, interest income of HK\$2,595,000 is recognised (for the six months ended 30 June 2019: Nil) (Note 10).

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the six months ended 30 June 2020 and 2019.

(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:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Wages and salaries	7,613	7,800
Pension costs — defined contribution plans	56	113
Welfare and other expenses	908	341
Total	8,577	8,254

28 BUSINESS COMBINATION**Acquisition of Zhongshan Guangye**

On 26 November 2019, the Group entered into an agreement in relation to the acquisition of 100% equity interest in Zhongshan Guangye at a consideration of RMB340,000,000 (equivalent to approximately HK\$379,542,000) (subject to downward adjustments). This transaction was completed on 1 January 2020 and Zhongshan Guangye became a wholly-owned subsidiary of the Group.

Zhongshan Guangye holds the BOT concession right to a WTE plant in Zhongshan City, Guangdong Province and this acquisition enable the Group to strengthen its asset base in Guangdong Province.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

28 BUSINESS COMBINATION (Continued)**Acquisition of Zhongshan Guangye** (Continued)

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

	At acquisition date HK\$'000
Consideration paid/payable	379,542
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	20,821
Intangible assets — concession rights (Note 16)	532,836
Receivables under service concession arrangements	277,299
Non-current prepayments for concession rights	1,602
Property, plant and equipment (Note 15)	2,219
Trade receivables	27,881
Inventories	770
Other receivables, deposits and prepayments	6,661
Bank and other borrowings	(236,656)
Deferred government grants	(35,109)
Trade and other payables	(159,460)
Deferred income tax liabilities	(59,322)
Total identifiable net assets	379,542

Acquisition-related costs of HK\$385,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2019.

The net cash flow from acquisition of Zhongshan Guangye is as follows:

	At acquisition date HK\$'000
Outflow of cash to acquisition, net of cash and cash equivalents acquired	
Consideration paid/payable	379,542
Less: Cash and cash equivalents acquired	(20,821)
Deposits paid in prior year	(343,297)
Unpaid balance	(30,829)
Net cash inflow — investing activities	(15,405)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

28 BUSINESS COMBINATION (Continued)**Acquisition of Zhongshan Guangye** (Continued)

The fair value of trade receivables is HK\$27,881,000. The gross contractual amount for trade receivables due is HK\$27,881,000, none of which is expected to be uncollectible.

The revenue included in the interim condensed consolidated statement of profit or loss for the period from 1 January 2020 to 30 June 2020 contributed by Zhongshan Guangye was HK\$48,739,000. Zhongshan Guangye also contributed profit of HK\$7,642,000 over the same period.

29 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 6 July 2020, Jianyang Canvest Environmental Power Company Limited ("Jianyang Canvest") (a joint venture with 50% equity held by the Group and 50% by Jianyang Lujiang Biochemical Co., Ltd. ("Jianyang Lujiang"), an independent third party) entered into loan agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), pursuant to which DRC Bank will provide Jianyang Canvest with a loan in an aggregate amount of RMB700,000,000 (approximately HK\$770,000,000) with a term of not more than 180 months for the development and construction of the Jianyang WTE plant.

Canvest Kewei Environmental Investment (Guangdong) Company Limited ("Kewei"), a wholly-owned subsidiary of the Group, together with the ultimate beneficial owner of Jianyang Lujiang and his spouse, entered into a joint and several guarantee agreement with DRC Bank, pursuant to which each of Kewei, the ultimate beneficial owner of Jianyang Lujiang and his spouse, agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700,000,000 (approximately HK\$770,000,000) (equivalent to the total amount of the loan), inclusive of principal, corresponding interest, default interest, compound interest, liquidated damages and deferred payment, as well as necessary and reasonable expenses and all other related expenses incurred in realizing the security right and creditor's rights. The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Further, the shares representing 50% equity of Jianyang Canvest held by Jianyang Lujiang will also be pledged to DRC Bank until the date of the loan is fully repaid.

- (b) On 17 July 2020, the Company entered into a facility agreement with a financial institution, pursuant to which a term loan facility in the aggregate amount of HK\$1,938,000,000 (with incremental facilities of up to a further HK\$1,170,000,000) with a term of 36 months has been granted to the Company. Loan amounting to HK\$1,938,000,000 had been drawdown on 28 July 2020.
- (c) In July 2020, the Group was awarded the concession rights in relation to the WTE plant located in Hunyuan County, Shanxi Province. The total daily MSW processing capacity of this WTE plant shall be 1,000 tonnes.
- (d) In July 2020, the Group was conditionally awarded the concession rights in relation to the WTE plant located in Taizhou City, Jiangsu Province. The total daily MSW processing capacity of this WTE plant shall be 850 tonnes.

OTHER INFORMATION

The Company 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, the Company's 2015–2019 annual report and Note 20 to the condensed consolidated interim financial information for further details.

Name or category of participant	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2020	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 8.07%, 8.07%, 8.07% and 8.07% of the issued share capital of the Company as at the date of the Company's 2019 annual report, as at 30 June 2020, the date of the interim results announcement dated 20 August 2020 and as at the date of this interim report, respectively.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 30 June 2020, 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

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

Notes:

- 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).
- Details of share options held by the directors are shown in page 60.
- These represent the 250,000 share options held by Mr. CT Lai.
- 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.

OTHER INFORMATION

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

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

Note:

- 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 30 June 2020, 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) The Company

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

OTHER INFORMATION

Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
2. VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise and Best Approach for the purposes of the SFO.
3. Century Rise holds 45% of the issued share capital of Best Approach. Therefore, Century Rise is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.
4. True Victor is an indirect wholly-owned subsidiary of SIHL.

INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 30 June 2020, no 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.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the common terms agreement and certain loan agreements with International Finance Corporation, DBS Bank Ltd., Hong Kong Branch, State Bank of India, Hong Kong Branch, The Bank of East Asia, Limited 東亞銀行有限公司, KDB Asia Limited, Woori Bank, Singapore Branch and Woori Global Markets Asia Limited (collectively, the "Senior Lenders") on 31 May 2018, unless otherwise agreed in writing by the Senior Lenders, the Company shall, within 10 days following the occurrence that Ms. Loretta Lee, Mr. KM Lai and Mr. CT Lai (collectively, "the Controlling Shareholders"), as a group, at any time and for any reason cease to own, directly or indirectly, at least 35% of both the economic and voting interests in the Company's share capital (determined on a fully diluted basis); or if the Controlling Shareholders, as a group, cease to own the largest share of the economic and voting interests in the Company's share capital (determined on a fully diluted basis) as compared to any other Shareholder of the Company or any other group of Shareholders of the Company acting in concert, prepay all outstanding principal amount of the loans and pay all interest accrued thereon and any other amounts then due and payable to the Senior Lenders under the agreements and the other ancillary documents. The loans have been fully repaid in July 2020.

Pursuant to the facility agreement between the Company and a financial institution on 17 July 2020, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively cease directly or indirectly to (i) have the power to (a) cast, or control the casting of, more than 35% of the maximum number of votes that might be cast at a general meeting of the Company; (b) appoint or nominate a larger number of seats on the board of directors of the Company than any other person or group; or (c) exercise the management control of the Company; (ii) hold beneficially at least 35% of the issued share capital of the Company; or (iii) be collectively the single largest shareholder of the Company.

OTHER INFORMATION

FORMATION OF JOINT VENTURE AND CONNECTED TRANSACTION

On 18 March 2019, the Group entered into an agreement with Shanghai Fudan Water Engineering Technology Co., Ltd. ("Shanghai Fudan"), Shanghai Nanyi Environmental Technology Company Limited and Shandong Sanding Company Limited to establish a project company, which will be principally engaged in the investment, construction and operation of a WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. The project is in the planning stage.

The registered capital of the project company shall be RMB105,000,000, and the Group shall contribute RMB21,000,000 in cash towards the registered capital of the project company and hold 20% of the equity interest in the project company. Shanghai Fudan is a subsidiary of SIIC Environment. SIIC Environment is an associate of SIHL, which is a substantial Shareholder of the Company. As such, Shanghai Fudan is a connected person of the Company and the entering into of this agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 21 August 2019, the Group entered into an agreement with SIIC Environment Tech (Hong Kong) Limited ("SIIC Environment Tech") to establish a company. Since SIIC Environment Tech is a direct wholly-owned subsidiary of SIIC Environment, which is controlled by SIHL, SIIC Environment Tech is a connected person of the Company and hence the incorporation of a company constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. In November 2019, the Group and SIIC Environment Tech, through this company, cooperated with China Baowu Group for the investment, construction and operation of a WTE project in Shanghai. The project has daily municipal solid waste processing capacities of 3,000 tonnes for residual waste and 800 tonnes for household food waste and is in the planning stage.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

PUBLIC FLOAT

Based on the information that is available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital held by the public for the six months ended 30 June 2020 and as at the date of this interim report.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.7 cents (corresponding period in 2019: HK3.2 cents) per share payable in cash to Shareholders of the Company.

Interim dividend will be payable on or about Friday, 9 October 2020 to the Shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 16 September 2020 to Friday, 18 September 2020 (both days inclusive), during such period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 September 2020.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lee Wing Yee Loretta
(Chairlady and Executive Director)

Mr. Lai Kin Man
(Deputy Chairman and Executive Director)

Mr. Yuan Guozhen
(Chief Executive Officer and Executive Director)

Mr. Lai Chun Tung (Executive Director)

Non-Executive Directors

Mr. Feng Jun

Mr. Lui Ting Cheong Alexander

Mr. Lai Yui (ceased to be a non-executive Director
with effect on 30 June 2020)

Independent Non-executive Directors

Professor Sha Zhenquan

Mr. Chan Kam Kwan Jason

Mr. Chung Wing Yin

Mr. Chung Kwok Nam

BOARD COMMITTEES

Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)

Professor Sha Zhenquan

Mr. Chung Wing Yin

Remuneration Committee

Professor Sha Zhenquan (Chairperson)

Mr. Chan Kam Kwan Jason

Mr. Chung Wing Yin

Nomination Committee

Mr. Chung Wing Yin (Chairperson)

Professor Sha Zhenquan

Mr. Chan Kam Kwan Jason

Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)

Ms. Lee Wing Yee Loretta

Professor Sha Zhenquan

Mr. Chung Wing Yin

COMPANY SECRETARY

Ms. Wong Ling Fong Lisa (HKICPA)

AUTHORISED REPRESENTATIVES

Ms. Lee Wing Yee Loretta

Ms. Wong Ling Fong Lisa

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

as to Hong Kong law:
King & Wood Mallesons

as to PRC law:
Jingtian & Gongcheng

as to BVI and Cayman Islands law:
Maples and Calder

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN PRC

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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
 Level 54, Hopewell Centre,
 183 Queen's Road East,
 Hong Kong

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.

INTERIM DIVIDEND

Amount payable	:	HK3.7 cents per share
Ex-entitlement date	:	Monday, 14 September 2020
Latest time for lodging transfer	:	At 4:30 p.m. on Tuesday, 15 September 2020
Book closure period	:	From Wednesday, 16 September to Friday, 18 September 2020 (both days inclusive)
Record date	:	Friday, 18 September 2020
Payment date	:	Friday, 9 October 2020

DESPATCH OF CORPORATE COMMUNICATIONS

This interim report is printed in both English and Chinese versions and is delivered to Shareholders. This interim report is also published on Canvest's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk).

For environment protection reasons, the Company encourages Shareholders to view the contents of this interim report posted on the aforesaid websites.

INVESTOR RELATIONS

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

WEBSITE

www.canvestenvironment.com

GLOSSARY

Beiliu	Beiliu Canvest Environmental Power Company Limited** (北流粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
BVI	the British Virgin Islands
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, “we”, “us” or “our” shall mean the Group
Canvest Yuezhan	Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (formerly known as “Yuezhan Environmental Investment (Guangdong) Company Limited”)** (粵豐粵展環保投資(廣東)有限公司) (formerly known as 粵展環保投資(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It holds approximately 73.9% equity interest in Shanghai Shengong Environmental Protection Co., Ltd.** (上海神工環保股份有限公司)
Cash generated from operating projects*	Net cash generated from/used in operating activities for the year, excluding net operating cash used for construction of various WTE plants under BOT arrangements
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
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

GLOSSARY

China Scivest	Dongguan China Scivest Environmental Power Company Limited** (formerly known as “Dongguan Zhongke Environmental Power Company Limited”) (東莞粵豐環保電力有限公司) (formerly known as 東莞中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Dianbai	Maoming Canvest Environmental Power Company Limited** (茂名粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Director(s)	director(s) of the Company
Dongguan Xindongqing	Dongguan Xindongqing Environmental Investment Company Limited** (東莞市新東清環保投資有限公司), a company incorporated in the PRC with limited liability and Dongguan Xindongyuan holds 30% equity interest of it
Dongguan Xindongyuan	Dongguan Xindongyuan Environmental Investment Company Limited** (東莞市新東元環保投資有限公司), a company incorporated in the PRC with limited liability and the Group holds 49% equity interest of it
Dongguan Xindongyue	Dongguan Xindongyue Environmental Company Limited** (東莞新東粵環保實業有限公司), a company incorporated in the PRC with limited liability and the Group holds 35% equity interest of it
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eco-Tech	Dongguan Eco-Tech Environmental Power Company Limited** (東莞市科偉環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Eligible Person(s)	(i) employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Group, and (ii) any non-executive Director (including independent non-executive Directors) of the Group
Group	the Company and its subsidiaries
Harvest VISTA Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee’s personal trust and Mr. KM Lai as beneficiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

GLOSSARY

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 Canvest	Jianyang Canvest Environmental Power Company Limited** (簡陽粵豐環保發電有限公司), a company incorporated in the PRC with limited liability and the Group holds 50% equity interest of it
Johnson	Hong Kong Johnson Holding Co., Ltd. (香港莊臣控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1955). The Group holds 30.75% equity interest of it
Kewei	Canvest Kewei Environmental Investment (Guangdong) Company Limited (formerly known as “Dongguan Kewei Environmental Power Company Limited”)** (粵豐科維環保投資(廣東)有限公司) (formerly known as 東莞科維環保投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin	Laibin Canvest Environmental Power Company Limited (formerly known as “Laibin Zhongke Environmental Power Company Limited”)** (來賓粵豐環保電力有限公司) (formerly known as 來賓中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Lufeng	Lufeng Canvest Environmental Power Company Limited** (陸豐粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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

GLOSSARY

Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders, an executive Director and deputy chairman
Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director and chairlady
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
PPP	Public-private-partnership
Qingyuan	Qingyuan City Zhongtian New Energy Company Limited (清遠市中田新能源有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share Award Scheme	the share award scheme of the Company adopted by the Board on 3 May 2019 in accordance with the rules relating to the said scheme as amended from time-to-time
Share(s)	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
Shen County	Shen County Shanghai Industrial Environmental Energy Company Limited** (莘縣上實環保能源有限公司), a company incorporated in the PRC with limited liability and the Group holds 20% equity interest of it
Sichuan Jiajieyuan	Sichuan Jiajieyuan Environmental Technology Company Limited** (四川佳潔園環保科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
SIIC Environment	SIIC Environment Holdings Limited, a company incorporated in the Republic of Singapore with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 807) and Singapore Exchange Limited (stock code: BHK.SG)

GLOSSARY

SIHL	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (stock code: 363) and a substantial Shareholder of the Company
True Victor	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIHL
Trustee	Bank of Communications Trustee Limited (which is independent and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being to be declared in the trust deed entered into with the Company
US dollars	United States dollars, lawful currency of the United States of America
VAT	Value-added tax in the PRC
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xiangyun Shengyun	Xiangyun Shengyun Environmental Energy Co., Ltd** (祥雲盛運環保電力有限公司), a company incorporated in the PRC with limited liability
Xinfeng	Xinfeng Canvest Environmental Power Company Limited (formerly known as "Jiangxi Xinfeng Kunyue Environmental Protection Company Limited")** (信豐粵豐環保電力有限公司) (formerly known as 江西信豐坤躍環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xingyi	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 incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xinyi	Xinyi Canvest Environmental Power Company Limited** (信宜粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Xuwen	Xuwen Canvest Environmental Power Company Limited** (徐聞粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

GLOSSARY

Yue Xing	Dongguan City Yue Xing Company Limited** (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. Lai Chun Tung, an executive Director of the Company, and his associate
Zaozhuang Zhongke	Zaozhuang Zhongke Environmental Energy Company Limited** (棗莊中科環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
Zhanjiang	Zhanjiang Canvest Environmental Power Company Limited** (湛江市粵豐環保電力有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Zhongshan Guangye	Zhongshan City Guangye Longcheng Environmental Company Limited** (中山市廣業龍澄環保有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
Zhongzhou Environmental	Huizhou City Zhongzhou Environmental Resources Company Limited** (惠州市中洲環保資源有限公司), a company incorporated in the PRC with limited liability
%	per cent

* Cash generated from operating projects and EBITDA are non-HKFRS measures which are useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business. Additionally, as the Group has historically reported certain non-HKFRS results to investors, the Group considers that the inclusion of non-HKFRS measures provides consistency in our financial reporting.

** For identification purposes only