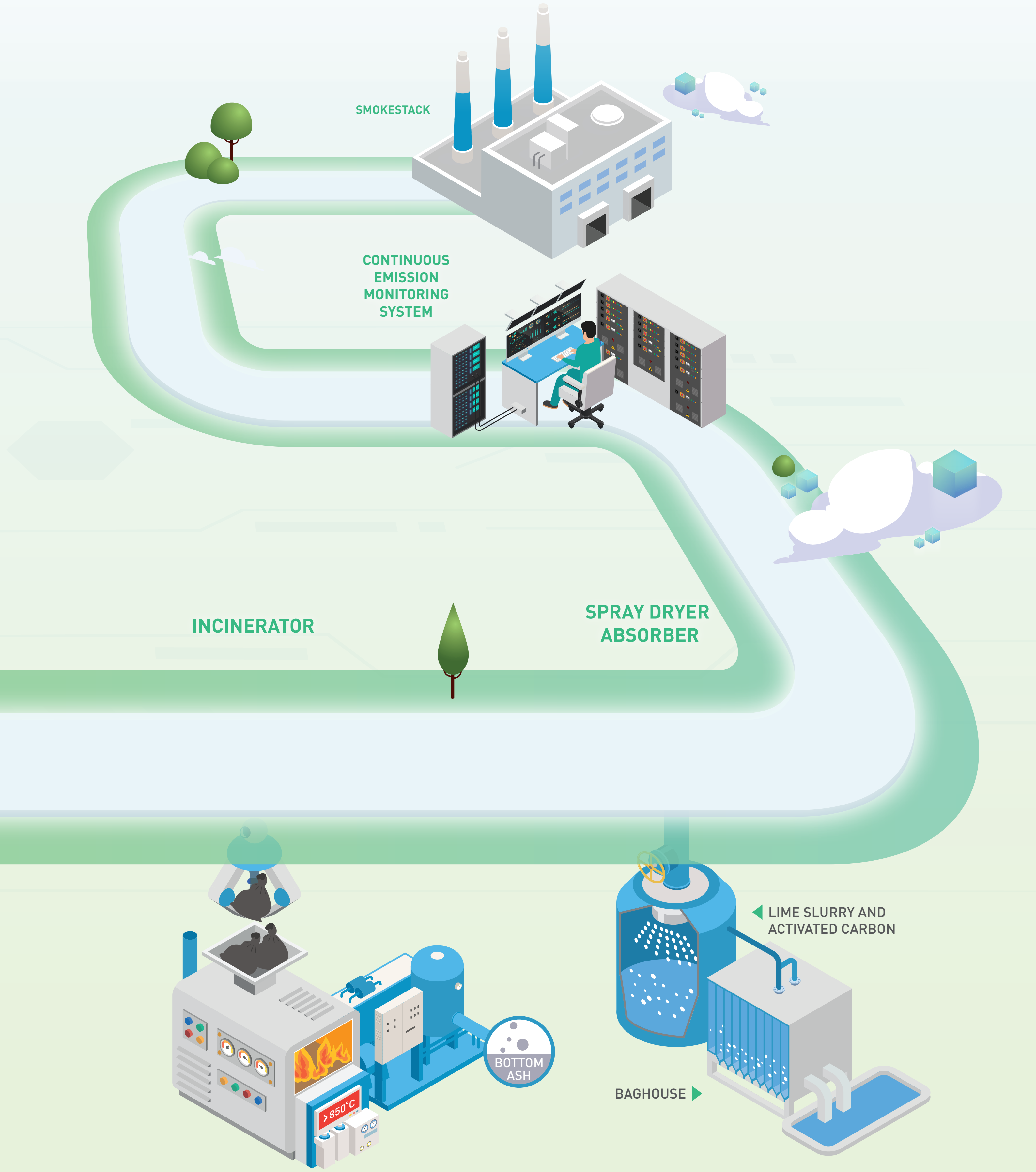
MSW PROCESSING AND WTE PROCESS



CHAIRLADY'S STATEMENT

THE GROUP CONTINUED TO FURTHER IMPROVE ITS PERFORMANCE BY CAPITALIZING ON DIGITAL AND REFINED MANAGEMENT, AND TO EXPAND THE APPLICATION OF INTELLIGENT SENSING FACILITIES AND TECHNOLOGIES. MEANWHILE, IN THE CONTEXT OF THE "ZERO-WASTE CITIES" AND "DUAL CARBON" GOALS, THE GROUP ACHIEVED PROJECT SYNERGY BY COMPREHENSIVELY INTEGRATING THE UPSTREAM AND DOWNSTREAM INDUSTRY CHAINS, SO AS TO SEIZE MARKET OPPORTUNITIES ARISING FROM **"INCINERATION +"**.

TO ALL HONORABLE SHAREHOLDERS,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the solid results of the Group for the year ended 31 December 2022 (the "year").

In 2022, we experienced an extraordinary year whereby market conditions continued to evolve. The pandemic conditions resurged and scattered across the PRC, together with international geopolitical volatility, monetary policy shifts in major global economies, interest rate hike, and simultaneous emergence of food, energy and debt crises, cast increasing uncertainties over economic environments both at home and abroad, thereby exposing the global market to an economic recession and struck on various industries.

Despite the complex and changing macroeconomic situation, the PRC continued to focus on its "Dual Carbon" goals by orderly advancing its "Carbon Peaking" and "Carbon Neutrality" initiatives. Since 2022, the PRC has introduced a series of industrial policies, including the "14th Five-Year Plan for Renewable Energy Development" (《「十四五」可再生能源發展規劃》) released in the first half of the year. Subsequently, the "14th Five-Year Plan for Ecological Environment Protection" (《生態環境保護「十四五」規劃》) was successively introduced in various provinces and cities. In the second half of the year, the government also released the "Notice on Accelerating the Implementation Plan to Address the Shortcomings and Weaknesses of Domestic Waste Incineration Treatment Facilities in County-level Areas" (《加快補齊縣級地區生活垃圾焚燒處理設施短板弱項的實施方案的通知》), the "Guiding Opinions on Accelerating the Construction of Urban Environmental Infrastructure" (《關於加快推進城鎮環境基礎設施建設指導意見》) and the "Guiding Opinions on Strengthening the Construction of Domestic Waste Incineration Facilities in County-level Areas" (《關於加強縣級地區生活垃圾焚燒處理設施建設的指導意見》), which demonstrated the government's determination to continue the firm promotion of green and low-carbon development for "Zero-Waste Cities" during the "14th Five-Year Plan". As a crucial part of the innocuous treatment of domestic waste, WTE not only ensures effective waste management, but also provides clean energy, plays an important role in the construction of "Zero-Waste Cities" and achieves the "Dual Carbon" strategic goals during the "14th Five-Year Plan". However, the industry is also confronted with different development challenges, as the industry entered into a stable phase after years of development, thereby shifting from cities to county-level regions with a higher industry concentration and reduced room for incremental markets. Coupled with diminishing national subsidies and uncertainties in competitive subsidies

CHAIRLADY'S STATEMENT

bidding, the entire industry is in the process of exploring opportunities for high-quality development during the phase of adjustment.

Despite industrial adjustment and macroeconomic uncertainties, the Group, as a leading integrated urban environmental protection and sanitation solution provider that engages in the WTE business and provides intelligent urban environmental hygiene and related services, continued to improve its operational management performance and project construction management by capitalizing on digital and refined management. Besides building a smart environmental sanitation system, the Group continued to expand the application of intelligent sensing facilities and technologies in the environmental sanitation field, thus improving the quality and efficiency of various environmental sanitation work. Meanwhile, in the context of the "Zero-Waste Cities" and "Dual Carbon" goals, the Group achieved project synergy by comprehensively integrating the upstream and downstream industry chains, so as to seize market opportunities arising from "Incineration +".

FINANCIAL PERFORMANCE

In 2022, the Group's revenue increased by 21.4% year-on-year to HK$8,246.6 million, and the profit attributable to equity holders of the Company increased by 0.8% year-on-year to HK$1,332.8 million. The increase in Group's revenue was mainly contributed by the increase in power sales and waste treatment fees from operating plants and the construction revenue from the additional projects.

After taking into consideration of the Group's development plan and investment returns to our Shareholders, the Board has proposed the declaration of a final dividend of HK4.7 cents per Share for the year ended 31 December 2022 (2021: HK5.8 cents). If approved by Shareholders, the total dividend of 2022 would be HK10.9 cents per Share (2021: HK10.8 cents).

BUSINESS REVIEW

In 2022, under the impact of the resurgent pandemic, daily business activities were interrupted in various regions across the PRC. However, all of the Group's employees and project construction units worked together to overcome difficulties. Meanwhile, by virtue of strong execution and operational capabilities, the Group succeeded in tackling various challenges to maintain its stable business development, and facilitated the extension and expansion of its upstream and downstream asset light business, speeded up the development of its "Incineration +" model.

During the year, the Group innocuously treated 13,993,553 tonnes of waste, generated 5,249,545,000 kWh of green energy, offset 6,769,000 tonnes of carbon dioxide equivalent emissions, and saved 1,381,000 tonnes of standard coal. During the year, the Group had secured 38 WTE projects with a total daily MSW processing capacity of 56,740 tonnes. In addition, the Group was committed to ensuring that projects were put into operation as planned. The Group has a total of 31 projects in operation with a total daily MSW processing capacity of 41,890 tonnes, of which phase 1 of Linfen WTE plant, Baoshan WTE plant, Taizhou WTE plant and phase 1 of Dazhou WTE plant were put into trial operating during the year with an increase of 6,650 tonnes in daily processing capacity. In addition, the Group was awarded concession rights pertaining to Huidong WTE project, Baise WTE project and Quyang WTE project thereby consolidating our regional advantages in Guangdong Province, while further expanding our business deployment across the PRC market.

CHAIRLADY'S STATEMENT

In addition to WTE operation, Canvest continues to promote its strategic extension and expansion, while strategically developing upstream and downstream environmental sanitation and related services with growth potential. During the year, the Group successfully won the bid for the environmental sanitation subcontracting contracts in Laishui County and Quyang County of Hebei Province, as well as Chengdu City and Yibin City of Sichuan Province, the landfill remediation projects in Qingyuan City, Zhongshan City and Congjiang County, further reinforcing the industry chain integration of the WTE business with the integrated environmental sanitation and gradually expanding the "Incineration +" business model. Meanwhile, the Group endeavored to expand revenue stream from various channels, such as one-stop services for entrusted operations as well as stream sales. During the year, the Group entered into operation and management agreements for Baoshan project and Dazhou project with SIIC Baojingang and Dazhou SIIC to manage their respective WTE projects.

Moreover, the Group proactively continued to press ahead with economic development premised on harmonious coexistence with the natural environment. In January 2022, the Strategy and Sustainability Committee was established to strengthen and enhance the Group's overall strategic, environmental, social and corporate governance efforts. The Group has also maintained high standards for project construction and operation, with various accomplishments in its sustainable development. A number of projects under the Group have been awarded the "Hong Kong — Guangdong Cleaner Production Excellent Partner (Manufacturing)" under the "Hong Kong — Guangdong Cleaner Production Partners Recognition Scheme", in recognition of our outstanding achievements in energy conservation, emission reduction, and clean production in our daily operations. 7 projects of the Group was awarded "Grade AAA Innocuous Waste Incineration Plant", of which 6 of them are national level "Grade AAA Innocuous Waste Incineration Plant", constituting over one-third of AAA projects in Guangdong Province.

Canvest's determination for sustainable development and its commitment to environmental protection have also been highly recognized by the market. Despite the macroeconomic volatility, the Group managed to secure the extension of a green syndicated loan of HK$2,891.0 million, which reflected the "Incineration +" business model earned the support and trust from various banks. At the same time, it highlighted the excellent performance of Canvest in the ESG field, which has gained recognition from the banking industry. On the other hand, the Group has been named an ESG Leading Enterprise for the second consecutive year at ESG Leading Enterprise Awards 2022, organized by the international authoritative financial magazine Bloomberg Businessweek/Chinese Edition and co-organized by Deloitte; the "Best ESG Award" at the 6th China IR Annual Awards organized by Roadshow China and its sub-brand Excellence IR; the "Special ESG Award — Outstanding ESG Performer of the Year (Platinum)" and "Outstanding Sustainability and Dividend Growth Award" at "The ESG Achievement Awards 2021/2022" organized by the Institute of ESG & Benchmark; and the "2022 Responsible Brand Award" at the 12th Philanthropy Festival.

OUTLOOK

2023 represents the beginning year of the comprehensive implementation of the spirit of the 20th CPC National Congress, and the country will step into a new era of development. At the same time, with the COVID-19 conditions waning in the PRC, the PRC economy is expected to gradually return to normal. On the other hand, the PRC continued its efforts to achieve the "Carbon Peaking" and "Carbon Neutrality" targets, with policies related to energy conservation, carbon reduction and energy development introduced by local governments, as well as successive announcements of medium-term and long-term special plans for municipal WTE projects. It will advance a profound transformation of the society and economy, presenting new opportunities to our industry.

CHAIRLADY'S STATEMENT

Against the backdrop of diminishing national subsidies, stringent environmental supervision, and insufficient waste supply, the Group will continue to promote its "Incineration +" model, actively increase its efforts to develop upstream and downstream business expansion and development along the industry chain of waste incineration through strategic cooperation, seize opportunities to vigorously expand environmental and hygiene-related services, and strengthen the consolidation of industry chain among the WTE and integrated environmental sanitation through synergistic effect. As a major WTE enterprise in China, Canvest will continue to strengthen technological innovation, gradually transitioning from the growth in "quantity" to the enhancement in "quality". Through strengthened refined management of its projects, keep close track of production and operation indicators to enhance operating efficiency by addressing inadequacies and strengthening weak links, which will in return promote the benign cycle of project production and operation so that we can continue to penetrate the WTE business. At the same time, the Group will vigorously explore small-scale project models and one-stop services for entrusted operations, while proactively developing comprehensive smart city management businesses using green technology. These initiatives aim to seek new paths, broaden new tracks, and provide new impetus for our business development.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders, capital partners and stakeholders for their long-term and unfailing support. We join hands with them to create a better environment and lead the industry development. Canvest will firmly maintain confidence, clarify our strategies, and strive for innovation, so as to achieve breakthrough and sustainable growth in operation and bring greater returns for shareholders.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the global market experienced complicated international environment such as geopolitics and interest rate hikes in other regions, and also affected by the COVID-19 epidemic, which affected the economy to a certain extent. Despite these, the PRC government continued with its resolution to introduce environmental policies tailored to "Dual Carbon" goals.

To address the solid waste treatment industry, the PRC government announced the "14th Five- Year Plan for Renewable Energy Development" (《「十四五」可再生能源發展規劃》), and the "14th Five-Year Plan for Ecological Environment Protection" (《生態環境保護「十四五」規劃》) was successively introduced in various provinces and cities during the year, which can formulate the future environmental industry of the PRC. The Group believes that the above policies will prompt a clear development direction for "Zero-Waste Cities", construction of the circular economy, and the "Dual Carbon" strategic goal, which is conducive to the long-term development of the solid waste treatment industry as the mainstay of environmental protection. However, coupled with diminishing national subsidies for renewable energy and uncertainties in competitive subsidies bidding, the solid waste treatment industry faced the coexistence of opportunities and risks.

After years of development, the solid waste treatment industry entered into a stable phase and shifted from coastal cities to county-level cities, with the governmental focus on small-scale markets in county-level regions. According to the "Guiding Opinions of the National Development and Reform Commission and Other Departments on Strengthening the Construction of Domestic Waste Incineration Facilities in County-level Areas" (《國家發展改革委等部門關於加強縣級地區生活垃圾焚燒處理設施建設的指導意見》) and "Domestic Waste Landfill Pollution Control Standard (Consultation Paper)" (《生活垃圾填埋場污染控制標準(徵求意見稿)》), the PRC government aims to basically form domestic waste classification and treatment in county-level areas across the country in 2025 that are compatible with economic and social development system, by 2030, the supply capacity and level of domestic waste classification and treatment facilities in county-level regions across the country will be further improved, and the domestic waste incineration and treatment capacity in county-level regions across the country will basically meet the processing needs.

In response to the above changes, Canvest continues to promote its strategic extension and expansion, while strategically developing upstream and downstream environmental sanitation and related services with growth potential. It reinforces the industry chain integration of the WTE business with the integrated environmental sanitation and gradually expanding the "Incineration +" business model. Meanwhile, the Group endeavored to expand revenue stream from various channels, such as one-stop services for entrusted operations as well as stream sales.

Leveraging on our market leading position in WTE and environmental sanitation and related service industries, the Group will continue to expand other integrated smart city management services, while actively improving its comprehensive competitive strengths.

For the year ended 31 December 2022 and as at the date of this annual report, despite the COVID-19 epidemic, the production of the Group's operating projects was not suspended.

OVERALL PERFORMANCE

For the year ended 31 December 2022, the Group's revenue was HK$8,246.6 million (2021: HK$6,794.6 million), representing an increase of 21.4% over 2021. Revenue from power sales and waste treatment was HK$3,486.7 million (2021: HK$2,997.3 million), representing an increase of 16.3%. The operating profit was HK$2,056.7 million (2021: HK$1,862.5 million). Profit attributable to equity holders of the Company was HK$1,332.8 million (2021: HK$1,322.0 million), representing an increase of 0.8%. Basic earnings per share was HK54.9 cents (2021: HK54.4 cents).

During the year, the Group's implementation of innocuous treatment of waste volume amounted to 13,993,553 tonnes. The Group generated 5,249,545,000 kWh from green energy, saved 1,381,000 tonnes of standard coal and offset carbon dioxide equivalent emissions by 6,769,000 tonnes.

I. Waste-to-Energy Business

Projects and Processing Capacity

As at 31 December 2022 and the annual results announcement date (i.e. 22 March 2023), the operating daily MSW processing capacity of 31 projects reached 41,890 tonnes.

As at 31 December 2022, there are 38 operating, secured and announced projects in our portfolio. Daily MSW processing capacity reached 56,740 tonnes.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

		Year ended 31 December	
		2022	2021
Southern China Region	**Guangdong Province**		
	Processed MSW *(tonnes)*	**8,872,108**	7,345,544
	Power generated *(MWh)*	**3,507,326**	3,081,187
	Power sold *(MWh)*	**3,042,163**	2,680,566
	Guangxi Zhuang Autonomous Region		
	Processed MSW *(tonnes)*	**755,949**	830,880
	Power generated *(MWh)*	**295,435**	320,904
	Power sold *(MWh)*	**259,788**	282,256
	Guizhou Province		
	Processed MSW *(tonnes)*	**664,975**	450,441
	Power generated *(MWh)*	**241,039**	165,157
	Power sold *(MWh)*	**204,864**	138,439
Western China Region	Processed MSW *(tonnes)*	**1,010,223**	732,186
	Power generated *(MWh)*	**356,411**	260,208
	Power sold *(MWh)*	**303,757**	222,738
Eastern China Region	Processed MSW *(tonnes)*	**1,135,664**	746,731
	Power generated *(MWh)*	**391,368**	250,419
	Power sold *(MWh)*	**332,700**	219,195
Northern China and Northeast China Region	Processed MSW *(tonnes)*	**1,242,940**	640,202
	Power generated *(MWh)*	**350,997**	165,140
	Power sold *(MWh)*	**295,770**	137,752
Central China Region	Processed MSW *(tonnes)*	**311,694**	327,571
	Power generated *(MWh)*	**106,969**	132,451
	Power sold *(MWh)*	**93,006**	115,779
Total	Processed MSW *(tonnes)*	**13,993,553**	11,073,555
	Power generated *(MWh)*	**5,249,545**	4,375,466
	Power sold *(MWh)*	**4,532,048**	3,796,725

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

In 2022, 15 WTE plants located in Guangdong Province continued to provide contributions. Huizhou WTE plant is currently under construction.

In June 2022, the Group was conditionally awarded the WTE project located in Huidong County, Guangdong Province. The total daily MSW processing capacity of this WTE project shall be 1,500 tonnes. The project is currently in the planning stage.

4 WTE plants located in Guizhou Province and Guangxi Zhuang Autonomous Region continued to provide contributions in 2022.

In December 2022, the Group was conditionally awarded the WTE project located in Baise City, Guangxi Zhuang Autonomous Region. The total daily MSW processing capacity of this WTE project shall be 1,200 tonnes. The project is currently in the planning stage.

Western China Region

3 WTE plants located in Sichuan Province and Yunnan Province continued to provide contributions in 2022.

The Group holds 30% equity interests of Sichuan SIIC. On 3 August 2022, Sichuan SIIC completed the acquisition of all equity interests in Dazhou Jiajing, which holds a right to WTE project located in Dazhou City, Sichuan Province, with the total daily MSW processing capacity of 2,000 tonnes, and phase I of this WTE plant commenced trial operation in late 2022. In September 2022, the Group entered into the operations management agreement with Dazhou SIIC, pursuant to which Dazhou SIIC entrusted the Group to manage and operate Dazhou WTE plant.

Eastern China Region

1 WTE plant located in Shandong Province and 1 WTE plant located in Jiangsu Province continued to provide contributions in 2022. Baoshan WTE plant and Taizhou WTE plant commenced trial operation in late 2022.

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

Northern China and Northeast China Region

1 WTE plant located in Hebei Province and 1 WTE plant located in Liaoning Province continued to provide contributions in 2022. Phase 1 of Linfen WTE plant commenced trial operation in 2022. With the change of the economic factors, Hunyuan WTE project is terminated after the negotiation with the local government. Yi County WTE plant commenced trial operation in late March 2023.

In March 2022, the Group was conditionally awarded the WTE project located in Quyang County, Baoding City, Hebei Province. The total daily MSW processing capacity of this WTE project shall be 1,050 tonnes. The project is currently in the planning stage.

Central China Region

1 WTE plant located in Jiangxi Province continued to provide contributions in 2022. With the change of the economic factors, the Group's entire equity interest in Changning WTE project was disposed of in February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Environmental Hygiene and Related Services

For the year ended 31 December 2022, Dongguan Xindongyue processed 160,984 tonnes of solidified fly ash and continued to provide contributions to the Group.

On 3 March 2023, Canvest Yuezhan Solid entered into the waste processing service agreement with Dazhou SIIC, pursuant to which Canvest Yuezhan Solid will transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant, dispose the solidified fly ash generated from Dazhou WTE plant to the landfill and detect and repair impermeable membranes at the landfill for three years.

Zhongzhou Environmental, which is principally engaged in the treatment of bottom ash created from the incineration of waste in the PRC, continued to provide contributions to the Group.

Sichuan Jiajieyuan, a renowned environmental hygiene and related services player in the PRC, continued to provide stable contributions during the year. In 2022, the Group operated 18 integrated environmental sanitation projects and as at the date of this annual report, the Group contracted 5 landfill restoration projects.

Johnson, a leading environmental hygiene service provider providing a wide range of environmental services in Hong Kong, continued to provide contributions to the Group during the year.

III. Management and Operations of Smart Car Parking Business

Leveraging on our market leading position in the WTE and environmental hygiene and services industry, the Group continued to develop its integrated smart city management services, such as smart car parking solutions.

During the year, the Group provided smart car parking solutions for over 45,000 parking spaces, covering Guangdong Province, Hebei Province and Anhui Province.

ANALYSIS OF FINANCIAL RESULTS

Revenue

During the year, the Group's revenue reached HK$8,246.6 million, representing an increase of 21.4% when compared with HK$6,794.6 million in 2021. Among that, revenue from power sales and waste treatment fees for the year reached HK$3,486.7 million, representing an increase of 16.3% from 2021. Increase in total revenue was mainly contributed by the increase in power sales and waste treatment fees from operating plants and the construction revenue from the additional projects.

The following table sets forth the breakdown of revenue for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	HK$'000	%	HK$'000	%
Revenue from power sales	2,399,495	29.1%	2,119,197	31.2%
Revenue from waste treatment fees	1,087,176	13.2%	878,067	12.9%
Revenue from project construction services	4,360,980	52.9%	3,515,339	51.7%
Finance income from service concession arrangements	171,993	2.0%	114,819	1.7%
Environmental hygiene and other services income	227,001	2.8%	167,149	2.5%
Total	8,246,645	100.0%	6,794,571	100.0%

The following table sets forth the breakdown of the Group's revenue by region for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	HK$'000	%	HK$'000	%
Southern China Region	4,622,536	56.1%	4,668,440	68.6%
Central China Region	98,386	1.2%	98,763	1.5%
Western China Region	665,004	8.1%	540,196	8.0%
Northern China and Northeast China Region	1,663,113	20.2%	845,976	12.5%
Eastern China Region	1,197,606	14.4%	641,196	9.4%
Total	8,246,645	100.0%	6,794,571	100.0%

Cost of Sales

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

Cost of sales increased by 22.1% from HK$4,684.3 million in 2021 to HK$5,717.6 million in 2022. The increase was mainly attributable to the operating costs of new WTE plants that have commenced operation and increase in construction cost for project construction services.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

In 2022, gross profit of the Group amounted to HK$2,529.0 million, representing an increase of 19.8% as compared to HK$2,110.3 million in 2021. The increase in gross profit was mainly attributable to the increase in processing capacity in operation.

The following table sets forth the breakdown of the Group's gross profit by nature for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	HK$'000	**%**	HK$'000	%
Power sales and waste treatment operations	**1,614,086**	**63.8%**	1,496,538	70.9%
Project construction services	**665,000**	**26.3%**	462,927	21.9%
Finance income from service concession arrangements	**171,993**	**6.8%**	114,819	5.5%
Environmental hygiene and other services	**77,942**	**3.1%**	35,995	1.7%
Total	**2,529,021**	**100.0%**	2,110,279	100.0%

Gross profit margin of the Group slightly decreased from 31.1% in 2021 to 30.7% in 2022. The decrease was mainly due to the increase in portion of construction revenue which has lower gross profit margin and the relatively lower gross profit margin from the WTE projects which are under trial operation during the year.

The following table sets forth the Group's gross profit margin by nature for the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	Gross profit margin	Gross profit margin
Power sales and waste treatment operations	**46.3%**	49.9%
Project construction services	**15.2%**	13.2%
Finance income from service concession arrangements	**100.0%**	100.0%
Environmental hygiene and other services	**34.3%**	21.5%
Gross profit margin of the Group	**30.7%**	31.1%

General and Administrative Expenses

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

General and administrative expenses increased by 12.0% from HK$518.0 million in 2021 to HK$580.0 million in 2022. It was mainly due to additional WTE projects under operation.

Other Income

Other income mainly consisted of VAT refund, sales of bottom ash and scrap materials, and revenue from non-hazardous waste handling. Other income decreased by 9.2% from HK$237.8 million in 2021 to HK$215.9 million in 2022. The decrease was mainly due to decrease in VAT refund since waste treatment income of certain WTE projects was exempted from VAT since March 2022.

Other (Losses)/Gains, net

During the year, the Group recorded other net losses of HK$108.2 million as compared to other net gains of HK$32.4 million in 2021. It was mainly due to foreign exchange loss from the significant depreciation of RMB against USD which was recognised in 2022 while foreign exchange gain was recognised in 2021.

Interest Expense, net

Net interest expense mainly consisted of interest expenses on borrowings from banks and net of interest income. During the year, net interest expenses increased by 45.7% from HK$411.6 million in 2021 to HK$599.8 million in 2022. The increase in net interest expenses was due to finance costs related to certain WTE plants which were no longer eligible for capitalisation after construction works were completed and plants were ready for use and operate, and the significant increase of USD interest rate.

Share of Net Profits of Associates and Joint Ventures

During the year, share of net profits of associates and joint ventures increased by 96.8% from HK$96.5 million in 2021 to HK$189.9 million in 2022. It was mainly due to the profit sharing from Machong WTE plant which commenced trial operation in second quarter of 2021.

Income Tax Expense

Income tax expenses increased by 25.9% from HK$228.2 million in 2021 to HK$287.4 million in 2022. It was mainly attributable to the increase in deferred income tax as a result of the increase in revenue from project construction services.

Profit Attributable to the Equity Holders of the Company

Profit attributable to the equity holders of the Company increased by 0.8% from HK$1,322.0 million in 2021 to HK$1,332.8 million in 2022. The growth rate is fall behind the growth rate of the revenue is mainly attributable to the impact from the change of macro environment that foreign exchange loss was recognized from the significant depreciation of RMB against USD and increase in net interest expenses as a result of significant increase of USD interest rate in 2022.

Capital Structure

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial Resources

During the year, the Group generated HK$2,206.8 million in cash from operating projects (2021: HK$1,755.3 million). Net cash prepaid and used for the construction of various WTE plants under BOT arrangements amounted to HK$2,455.0 million (2021: HK$4,105.2 million). As a result, the total net cash used in operating activities amounted to HK$248.2 million during the year (2021: HK$2,349.9 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2022, the total cash and cash equivalents of the Group were HK$1,809.9 million (31 December 2021: HK$1,704.0 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

In 2022, the Group received renewable national subsidies which amounted to HK$269.1 million.

Borrowings

The Group sensibly diversifies its funding sources to optimise its debt portfolio and lower the financing cost. As at 31 December 2022, the Group's bank borrowings were HK$13,582.3 million (31 December 2021: HK$12,703.9 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 2021: same) and all of them were at floating interest rates (31 December 2021: same).

On 17 July 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$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. As at 31 December 2021, the proceeds of HK$1,938.0 million and the incremental proceeds of HK$598.0 million have been fully utilized for the repayment of loans and general working capital. Pursuant to the Facility Agreement I, it shall constitute a mandatory prepayment event (among others) if Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung 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. The proceeds have been fully repaid in November 2022.

On 23 November 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$390.0 million due to expire in July 2023 has been granted to the Company. As at 31 December 2021, the proceeds of HK$390.0 million have been fully utilized for the Group's capital expenditure and general working capital. Pursuant to the Facility Agreement II, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 23 November 2020 for further details. The proceeds have been fully repaid in November 2022.

On 5 August 2021, the Company (as borrower) entered into a facility agreement (the "Facility Agreement III") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$150.0 million for a term of 36 months from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK$150.0 million have been utilized. Pursuant to the Facility Agreement III, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 5 August 2021 for further details.

On 20 April 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement IV") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$250.0 million for a term of 15 months (which may be further extended for another 15 months) from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK$250.0 million have been utilized. Pursuant to the Facility Agreement IV, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 20 April 2022 for further details.

On 25 April 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement V") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$150.0 million for a term of 18 months from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK$150.0 million have been utilized. Pursuant to the Facility Agreement V, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 25 April 2022 for further details.

On 30 August 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement VI") with certain financial institutions pursuant to which a term loan facility in the aggregate amount of HK$2,891.0 million (with incremental facilities of up to a further HK$200.0 million) for a term of 36 months from the date of first utilisation has been granted to the Company. As at 31 December 2022, this facility of HK$2,891.0 million has been utilized. Pursuant to the Facility Agreement VI, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 30 August 2022 for further details.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Net assets of the Group was HK$9,003.9 million (31 December 2021: HK$8,885.9 million). The increase in net assets was mainly attributable to the profit generated during the year.

The following table sets forth the analysis of the Group's borrowings as at 31 December 2022 and 2021:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Portion of term loans due for repayment after one year		
— secured	**11,838,520**	11,279,473
Portion of term loans due for repayment within one year		
— secured	**1,444,642**	1,284,402
Revolving loans due for repayment within one year		
— unsecured	**299,167**	140,000
Total bank borrowings	**13,582,329**	12,703,875

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2022, the gearing ratio was 65.1% (31 December 2021: 63.6%).

As at 31 December 2022, the Group had banking facilities in the amount of HK$16,273.8 million, of which HK$2,640.4 million remained unutilized. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

In January 2022, Zhongshan project succeeded for the first time to obtain a loan amounted to RMB25.0 million from a financial institution by pledging the national subsidy receivable.

Cost of Borrowings

For the year ended 31 December 2022, the total cost of borrowings of the Group was HK$628.0 million (2021: HK$491.7 million), representing an increase of HK$136.3 million. The increase was due to finance costs related to certain WTE plants which were no longer eligible for capitalisation after construction works were completed and plants were ready for use and operate, and the significant increase of USD interest rate. Effective interest rate ranged from 1.37% to 6.75% for the year ended 31 December 2022 (2021: 1.43% 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.

COMMITMENTS

As at 31 December 2022, the Group's capital commitments in relation to construction cost for BOT concession rights and property, plant and equipment, which were authorised but not contracted for, amounted to HK$1,470.6 million (31 December 2021: HK$2,304.4 million) and HK$498.0 million (31 December 2021: Nil), respectively. Its capital commitment contracted for but not yet provided for in the consolidated financial statement in relation to construction cost for BOT concession rights and property, plant and equipment amounted to HK$1,765.9 million (31 December 2021: HK$4,507.3 million) and HK$147.5 million (31 December 2021: Nil), respectively, and in relation to the capital injection to associates and joint ventures amounted to HK$201.2 million (31 December 2021: HK$204.0 million).

PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS

As at 31 December 2022, the Controlling Shareholders have not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

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

On 23 February 2022, the Group acquired 29.56% equity interests of Zaozhuang Zhongke through public auction with a total consideration of RMB15.4 million (equivalent to HK$19.0 million). Upon the completion of the acquisition, the Group owns 80.56% equity interests in Zaozhuang Zhongke.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of material subsidiaries by the Company for the year ended 31 December 2022. Apart from those disclosed in this annual report, there were no other material investments or additions of capital assets authorised by the Board at the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES

For the year ended 31 December 2022, capital expenditures of the Group mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements amounting to HK$3,904.8 million (2021: HK$3,405.8 million). Capital expenditures were mainly funded by bank borrowings and funds generated from operating activities.

CONTINGENT LIABILITIES

On 6 July 2020, Kewei, the ultimate beneficial owner of Jianyang Lujiang Biochemical Co., Ltd. ("Jianyang Lujiang"), and his spouse (collectively, the "Guarantors"), entered into a joint and several guarantee agreement with Zhongxin sub-branch of Dongguan Rural Commercial Bank Co., Ltd. ("DRC Bank"), pursuant to which each of the Guarantors agreed to provide Jianyang Canvest a guarantee in the aggregate amount of not exceeding RMB700.0 million (equivalent to HK$783.7 million) (equivalent to the total amount of the project loan provided by DRC Bank to Jianyang WTE plant). The term of the guarantee is from the effective date of the loan agreement to the end date of an additional three years. Please refer to the announcement of the Company dated 6 July 2020 for further details.

The Group holds 49% equity interest in Dongguan Xindongyuan, which holds 30% equity interest in Dongguan Xindongqing. As at 31 December 2022, the Group provided a corporate guarantee of RMB32.3 million (equivalent to HK$36.2 million) for bank loans of Dongguan Xindongqing (31 December 2021: RMB32.3 million (equivalent to HK$39.5 million)).

The Group holds 40% equity interest in Zhongzhou Environmental. As at 31 December 2022, the Group provided a corporate guarantee of RMB90.0 million (equivalent to HK$100.8 million) for bank loans of Zhongzhou Environmental (31 December 2021: RMB90.0 million (equivalent to HK$110.1 million)).

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2022.

PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged certain of its rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, right-of-use assets, intangible assets and restricted deposits (31 December 2021: rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, and intangible assets) with an aggregate carrying amount of HK$13,786.5 million (31 December 2021: HK$12,940.5 million) to certain banks to secure certain credit facilities granted to the Group.

CONTINUING CONNECTED TRANSACTIONS

On 3 June 2021, the Company and Yue Xing entered into the supplemental leasing framework agreement ("YX Supplemental Leasing Framework Agreement") to renew and revise the annual caps in the previous leasing framework agreement (the "YX Leasing Framework Agreement") for a term of three years commencing from 1 July 2021 and will expire on 30 June 2024 (both days inclusive). The annual caps for the transactions for the period from 1 July 2021 to 31 December 2021, for the financial years ending 31 December 2022 and 2023 and for the period from 1 January 2024 to 30 June 2024 are RMB5.0 million, RMB10.0 million, RMB10.0 million and RMB5.0 million, respectively. Please refer to the announcement of the Company dated 3 June 2021 for further details. The rent paid by the Group to Yue Xing for the period from 1 January 2022 to 6 February 2022 was HK$0.7 million (for the year ended 31 December 2021: HK$7.9 million).

On 7 February 2022, in order to facilitate our operations and continuing expansion and better govern the portfolio of properties available for leasing by the Group from companies controlled by Mr. Lai Chun Tung, an executive Director, (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement. On the same day, the Company and Sanyang entered into a leasing framework agreement (the "Sanyang Leasing Framework Agreement"), pursuant to which Sanyang agreed to lease certain commercial properties held by itself and companies controlled by it (including that of Yue Xing) to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB10.8 million, RMB10.8 million, RMB10.8 million and RMB0.9 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details. For the period from 7 February 2022 to 31 December 2022, the rent paid by the Group to Sanyang was HK$8.8 million (for the year ended 31 December 2021: nil).

On 7 February 2022, the Company and Canvest ECT entered into a monitoring and audit services agreement (the "MAS Framework Agreement"), pursuant to which Canvest ECT has been engaged to provide monitoring and audit services for the routine maintenance works for the machineries operated by the Group in the Group's WTE plants for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB6.5 million, RMB7.0 million, RMB7.5 million and RMB0.7 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details. For the year ended 31 December 2022, service fee amounted to HK$3.5 million (2021: nil).

On 9 February 2022, the Group entered into the operations management agreement with SIIC Baojingang, pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE plant. The annual caps for the transactions for the financial years ending 31 December 2022 to 2025 are RMB46.0 million, RMB46.0 million, RMB46.0 million and RMB46.0 million, respectively. Please refer to the announcements of the Company dated 9 February 2022 and 11 February 2022 for further details. For the year ended 31 December 2022, the management service income amounted to HK$30.1 million (2021: nil).

Each of the above continuing connected transactions is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's shares.

HUMAN RESOURCES

As at 31 December 2022, the Group employed a total of 4,762 employees, 82 of them were at management level. By geographical locations, it had 4,736 employees in the PRC and 26 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for its employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014, which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme was set out in Appendix VI to the prospectus. Under the share option scheme and upon the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). 2,500,000 share options remained outstanding as at 31 December 2022. Total remuneration costs, including Directors' remuneration, for the year were HK$615.4 million (2021: HK$489.0 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.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

As at 31 December 2022, the Company had not provided any financial assistance and guarantees to affiliated companies which is subject to disclosure requirement under Rule 13.22 of the Listing Rules.

ADVANCE TO AN ENTITY PROVIDED BY THE COMPANY

As at 31 December 2022, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

EVENTS AFTER BALANCE SHEET DATE

(i) On 13 February 2023, the Group entered into an equity transfer agreement with Shanghai Nanyi Environmental Technology Company Limited (上海南一環保科技有限公司), pursuant to which the Group agreed to dispose of 20% equity interest in Shen County Nanyi, which owns the concession right to operate a WTE project in Circular Economy Industrial Park in Shen County, Shandong Province, at a consideration of RMB1.6 million (equivalent to HK$1.8 million). The transaction has been completed in March 2023.

(ii) On 14 February 2023, the Group entered into an equity transfer agreement with Beijing Zhongke Runyu Environmental Technology Company Limited (北京中科潤宇環保科技有限公司), pursuant to which the Group agreed to dispose of 55% equity interest in Hengyang Canvest, which owns the concession right to operate a WTE plant in Changning City, Hunan Province, at a consideration of RMB31.0 million (equivalent to HK$34.7 million). The transaction has been completed in March 2023.

(iii) The Group holds 30% equity interest in Sichuan SIIC. In February 2023, the Group provided a corporate guarantee of RMB60.0 million for bank loan obtained by Sichuan SIIC.

CHANGES SINCE 31 DECEMBER 2022

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 for the year ended 31 December 2022.

DIVIDENDS

During the year, the Company declared an interim dividend of HK6.2 cents per ordinary share (2021: HK5.0 cents). The Board has proposed the payment of a final dividend of HK4.7 cents (2021: HK5.8 cents) per ordinary share to the Shareholders. Subject to the approval by the Shareholders at the annual general meeting ("AGM") of the Company to be held on Thursday, 15 June 2023, the proposed final dividend is expected to be paid on Monday, 31 July 2023 to Shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023.

UPDATE ON CHINA SCIVEST WTE PLANT

Reference is made to the undertaking given by the Company on page 190 of the prospectus to disclose the status of rectifying the deficits in relation to certain construction related licenses and permits of the China Scivest WTE plant in the Company's interim and annual reports until China Scivest has obtained all construction related licenses and permits. For the year ended 31 December 2022, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

PRINCIPAL RISK AND UNCERTAINTIES

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

Major identified risks and uncertainties are listed as follows:

Risk	Nature
Strategy	
"Not-In-My-Backyard" phenomenon	The public's misunderstanding over WTE industry, and poor environmental performance of peers and business partners might adversely affect the business development of the Group.
Changes in government subsidies/tax incentives policies	The revenue and profitability of the Group from power sales may be affected by any change to national policies of subsidized electricity tariffs for WTE plants. Besides, if the government reduces tax incentives for the environmental protection industry in the future, the Group's operations, profitability and cash flows may be adversely affected. According to the concession agreement, the waste treatment fee may be adjusted accordingly, however, as the government and the Group are required to assess the extent of fee adjustments, the Group may continue to be exposed to the risk of decreasing revenue caused by the failure to adjust the waste treatment fee in a timely and appropriate manner.
Market competition	In line with the increasingly intensified competition in the industry, the Group will face greater challenges in obtaining new projects, which will pose a downward pressure on the Group's tender quotations and in return will affect its profit margin. When failing to offer competitive prices, the Group may not secure contracts, which may have a negative impact on its profitability and operations.
Business expansion	The inadequacy of assessment and investigations prior to commencement of a new business leads to an insufficient understanding of the local conditions, which may therefore result in the risk of losses in revenue and investment cost, and cause material impacts on the Group's development. A failed strategic planning may materially affect the Group's long-term development and revenue.
Compliance	
Environmental protection	In line with a growing public awareness of environmental protection and the government's increasing emphasis on environmental protection, the government introduces more stringent national policies, laws and regulations in related to environmental protection. The Group will be subject to administrative penalties if it fails to meet the requirements of environmental laws and regulations or upon occurrence of environmental pollution incidents. At the same time, in light of the increasingly improved relevant environmental protection standards, the Group will subsequently increase its spendings in environmental protection with higher operating costs.
Compliance with the Listing Rules and other relevant laws	In addition to compliance with the Listing Rules, the Group is required to comply with various regulations in the PRC and Hong Kong, such as environmental protection, labour-related and relevant tax laws. Failure to comply with the Listing Rules and other relevant laws may result in damages to the Group's corporate image and expose it to the risks of investigation, operational disruption, suspension and director liability.

Risk	Nature
Operation	
Non-compliant suppliers/ contractors	If the contractor fails to complete the construction work on time, or the construction work fails to meet the contractual requirements, the Group may be unable to fulfil the requirements under concession agreement, thereby affecting its reputation, quality of service and the necessity for additional costs. If suppliers fail to effectively ensure the quality of daily operating materials (e.g. environmental materials) or supply products in a timely manner, or the Group fails to select appropriate suppliers, the risk of failing to meet customers' expectations may increase, which may affect the Group's reputation and quality of service.
Recruitment	The WTE industry is a multidisciplinary and knowledge-intensive industry with a higher demand for technical and management talents. If the progress of training of in-house talents or the introduction of external talents fail to keep pace with the Group's expansion scale, coupled with the insufficient talent pool available in the market, the operation schedule of new projects may be affected.
Health and safety	The Group's operations may result in air emission and noise, and accidents may happen to our employees during their operation of machinery. The Group is exposed to claim risks for work-related accidents and injuries and public liability for physical injuries and property damages, which may have an impact on the Group's reputation and finances.
Infectious disease	The novel coronavirus pandemic causing severe impacts on the workforce and economy of the world and mainland China. If there is a material adverse change in the trend of this outbreak or if we encounter another major outbreak in subsequent operations, it may have an adverse impact on the Group's operations and results. If our employees are infected with the novel coronavirus, the Group's services may be affected and there is a possibility of service disruption.
Technological changes	New WTE technologies and even more advanced waste treatment technologies may emerge in the future, in which case, where the Group fails to acquire the relevant technologies in a timely manner, the Group's market position and profitability will be adversely affected, and may even expose the Group to the threat of substitution.
Finance	
Cash management/liquidity	The Group's strategic planning and business expansion depends on cash flow. Failure to effectively monitor cash flow may result in disruption to the Group's daily operations, as well as its ability to pay suppliers and creditors and fulfill customer service contracts, an increase in finance costs, a decline in the credit rating, or a default in payment of staff cost, all of which may ultimately affect the Group's ability to operate on an ongoing basis.
Budgeting, reporting and disclosure	If the Group fails to prepare financial reports and annual budgets, including incomplete and/or inaccurate information regarding forecasts and planning, the management may make inappropriate conclusions and decisions due to lack of complete and/or accurate financial information and business planning information. Failure to disclose information regarding financial reports in a timely, complete, and accurate manner may expose the Group to penalties from regulatory authorities and impair the financial position of the Group.

In mitigation of identified risks, the Group actively assesses the effect of changes in situation and works closely with internal and external parties to ensure proper preventive actions to avoid or mitigate their adverse impacts.

CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2022, the Company has complied with the code provisions as set out in the CG Code.

COMPANY CULTURE

Mission/Purpose: Safeguarding the Green Ecology, Devoting to Clean Energy

The Company aims to protect the ecological environment and promote sustainable development of human society as the foundation and pursuit of our business.

Vision: To be the most respected and trusted environmental protection enterprise

The Company is committed to building a valuable ecological chain of environmental protection industry, and adheres to exquisite technology, fine management, accurate positioning, and the pursuit of excellence, to undertake social responsibility and create value for the society, to be the industry benchmark, create benefits for shareholders, and enhance employees' sense of pride in their work.

Core Values: Integrity, Responsibility, Harmony, Win-Win

Integrity: We must adhere to honesty and trustworthiness with shareholders, customers, employees, and society. This is the foundation of being human, the way of business, and the basis for survival.

Responsibility: This includes social responsibility, corporate responsibility, and employee responsibility. Regardless of the role we play, we must have a sense of responsibility and dedication. This is a common value orientation for both enterprises and individuals.

Harmony: This includes the harmony between human development and the ecological environment, the harmony between enterprises and society, the harmony between enterprises and shareholders, employees, and customers, and the harmony between employees and teams and employees themselves.

Win-Win: That is, win-win for enterprises, society, and related parties. We must not only pursue the maximization of enterprise benefits but also the maximization of social benefits, and create returns to shareholders, benefit the society, achieve self-improvement, and enhance value.

Strategy

To achieve the objective of creating long-term values to shareholders and other stakeholders, the Group focuses on the growth strategy of "Incineration +" with an aim to achieve sustainable growth in both financial and Environmental, Social and Governance performance.

THE BOARD

Role of the Board

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

Board composition

During the year ended 31 December 2022 and up to the date of this annual report, the Board comprises the following directors:

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

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

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

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 51 to 53 of this annual report.

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

Chairlady, Deputy Chairman and Chief Executive Officer

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

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

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

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

Independence of the Independent Non-executive Directors

During the year ended 31 December 2022 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. No independent non-executive Director has served the Company for more than 9 years as at the date of this annual report.

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

APPOINTMENT AND RE-ELECTION AND TERMS OF NON-EXECUTIVE DIRECTORS

Each Director, including non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a maximum period of three years and is subject to re-election.

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

A: reading materials in relation to the update of the rules and regulations, and director's duties and responsibilities

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2022.

BOARD AND BOARD COMMITTEE MEETINGS

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. Independent non-executive directors and other non-executive directors, as equal board members, have given the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

The functions of non-executive directors include: (i) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (ii) taking the lead where potential conflicts of interests arise; (iii) serving on the audit, remuneration, nomination and other governance committees, if invited; and (iv) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

All the executive Directors and the independent non-executive Directors have allocated a reasonable amount of time to follow and deal with various affairs of the Company during the year and have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

During the year, the Board held a total of 5 meetings. Each Director's attendance record is set out as follow:

	Number of attendance/meeting held in 2022						
Name of Directors	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	Strategy and Sustainability Committee	General meeting
Lee Wing Yee Loretta	5/5	—	—	—	1/1	—	1/1
Lai Kin Man	5/5	—	—	—	—	—	1/1
Yuan Guozhen	5/5	—	—	—	—	—	1/1
Lai Chun Tung	5/5	—	—	—	—	1/1	1/1
Feng Jun	5/5	—	—	—	—	—	1/1
Lui Ting Cheong Alexander	4/5	2/2	—	—	—	1/1	1/1
Sha Zhenquan	5/5	2/2	1/1	1/1	1/1	1/1	1/1
Chan Kam Kwan Jason	5/5	2/2	1/1	1/1	1/1	—	1/1
Chung Wing Yin	5/5	2/2	1/1	1/1	1/1	—	1/1
Chung Kwok Nam	5/5	—	—	—	—	—	1/1

THE COMMITTEES OF THE BOARD

The Board of the Company has established 5 committees namely the audit committee, the corporate governance committee, the nomination committee, the remuneration committee and the strategy and sustainability committee. Except for the strategy and sustainability committee which is chaired by the executive Director and consists of non-executive Director and independent non-executive Director as members, the respective chairperson and majority of the members of each of the other committees are independent non-executive Directors. Terms of reference of each of the committees are published on the corporate website (www.canvestenvironment.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk), and will be amended by the Board from time to time as and when appropriate.

AUDIT COMMITTEE

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

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 proposed permissible audit related and non-audit services to be provided by the external auditor, review the financial statements and render advice in respect of financial reporting, oversee internal control procedures of the Group and review and monitor the Company's compliance with the Company's whistleblowing policy.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

During the year, the audit committee held 2 meetings (in March and August 2022), the agenda of which is set out below:

— Reviewing annual results of 2021, annual report of 2021, interim results of 2022 and interim report of 2022;

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

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

— Reviewing the significant accounting policy and the impact of the adoption of new financial reporting standards;

— Considering the re-appointment of external auditors of the Company and its independence; and

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

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

EXTERNAL AUDITOR

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2022 AGM and there was no change of the auditors of the Company for the preceding three years. For the year ended 31 December 2022, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2022 **HK$'000**	2021 HK$'000
Fee for audit services	**3,000**	3,000

The external auditor will not be engaged to perform non-audit services unless the non-audit services meets the criteria suggested in the Listing Rules and has been pre-approved by the audit committee or its delegate. There must be clear efficiencies and value-added benefits to the Group from the non-audit services being undertaken by the external auditor, with no adverse effect on the independence of their audit work, or the perception of such independence.

REMUNERATION COMMITTEE

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

Main duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) recommending the terms of the specific remuneration package of each executive Director and senior management to the Board; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme; (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; (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 year, the remuneration committee held a meeting in March, the agenda of which is set out below:

- — Reviewing the remuneration adjustments of senior management in 2022;
- — Determining the policy for the remuneration of executive Directors, confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2021; and
- — Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2022.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2022 is set out below:

Remuneration	Number of persons
HK$1,000,001 to HK$2,000,000	5
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	1

NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference in compliance with the CG Code. The nomination committee comprise Mr. Chung Wing Yi, 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.

NOMINATION PROCEDURES AND PROCESS

The secretary of the nomination committee shall call a meeting of the nomination committee, and invite nominations of candidates from members of the Board if any, for consideration by the nomination committee prior to its meeting. The nomination committee may also put forward candidates who are not nominated by members of the Board.

- For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.
- For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.
- A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the Listing Rules.
- A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his or her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as may be considered relevant to his or her proposed election; and (ii) the written consent by that person to the publication of his or her personal data provided pursuant to (i) immediately above.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any reappointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the nomination committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effectiveness in carrying out the duties by the board which, in particular, are set out as follows:

(i) participating in Board meetings to bring an independent judgment on issues of corporate strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(ii) taking the lead where potential conflicts of interests arise;

(iii) serving on the audit committee, the remuneration committee and the nomination committee (in the case of candidate being a non-executive Director) and other relevant Board committees, if invited;

(iv) bringing a range of business and financial experience to the Board or any other committees by his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board meetings or meetings of any committees;

(v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(vi) ensuring that the nomination committee on which he or she serves to perform their powers and functions conferred on them by the Board; and

(vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director as required under rule 3.10(2) of the Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy, which sets out the approach to achieve diversity of the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board would ensure that appropriate balance of gender diversity on the Board is achieved with reference to stakeholders' expectation and international and local recommended best practices. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different backgrounds, and in line with development strategies of the Group.

The Board delegated certain duties under the board diversity policy to the nomination committee of the Company. The nomination committee will discuss and review the necessity to set any measurable objectives for implementing the board diversity policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The nomination committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

The current Board composition was also evaluated to, among other things, the age, gender, cultural and educational background and professional experience of each Directors against the Company's business model and specific needs.

CORPORATE GOVERNANCE REPORT

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

<table>
<tr><td></td><th colspan="10">Number of Director</th></tr>
<tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr>
<tr><th>Gender</th><td>Female</td><td colspan="9">Male</td></tr>
<tr><th>Designation</th><td colspan="4">Executive Directors</td><td colspan="2">Non-executive Directors</td><td colspan="4">Independent Non-executive Directors</td></tr>
<tr><th>Age Group</th><td colspan="3">40–45</td><td colspan="3">46–50</td><td colspan="3">51–60</td><td>>61</td></tr>
<tr><th>Skill/Experience</th><td colspan="5">Experience in project development and general management</td><td colspan="2">Extensive experience in securities and investment industry</td><td colspan="2">Extensive experience in accounts and financial services</td><td>Qualified lawyer</td></tr>
<tr><th>Length of Services</th><td colspan="2">Less than 6 years</td><td colspan="6">Less than 8 years</td><td colspan="2">Less than 9 years</td></tr>
</table>

The Board considers that the Board of the Company already adopted board diversity.

During the year, the nomination committee held a meeting in March and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Ms. Loretta Lee, Mr. Lui Ting Cheong Alexander, Mr. Chan Kam Kwan Jason and Mr. Chung Kwok Nam, and advising the Board on the re-election of such retiring Directors at the 2022 AGM. Also, the nomination committee reviewed the structure, size and composition of the Board and assessed the independence of 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 year, the corporate governance committee held a meeting in March and the agenda was mainly to determine the policy for the corporate governance, to review the training record of the Directors and compliance with the CG Code and disclosure in the Corporate Governance Report.

STRATEGY AND SUSTAINABILITY COMMITTEE

The strategy and sustainability committee was established on 25 January 2022. The members of the strategy and sustainability committee comprise Mr. CT Lai, Mr. Lui Ting Cheong Alexander and Professor Sha Zhenquan, and is chaired by Mr. CT Lai.

The duties of the Committee shall be: (a) to conduct research and make recommendations on the Group's business strategy, sustainable development approach and related policies in the area of sustainable development; (b) to guide, evaluate, oversee and continuously improve the culture, management framework, affairs, risk management and capacity building of the Group in the areas of environmental and social responsibility and sustainability, and to provide advice and make recommendations to the Board on related work; (c) to identify, assess, manage and respond to the significant issues related to the environmental, social and governance (ESG) and sustainability, and where appropriate, to provide advice and make recommendations to the Board; (d) to monitor completeness of the Company's Sustainability Report, and to review the significant judgements in the Sustainability Report. In reviewing the Sustainability Report, the Committee should focus particularly on: (i) any changes in the policies and practices on Sustainability Report; (ii) major judgmental areas; (iii) significant adjustments resulting from internal audit or third-party verification; (iv) the going concern assumptions and any qualifications; (v) with reference to the principal international environmental, social and corporate governance code; (vi) compliance with the environmental, social and governance reporting guidelines as set out in the Listing Rules and legal requirements; (e) to review the Group's sustainability and ESG strategies and progress in reporting performance against ESG-related targets and indicators; (f) to report to the Board on the matters specified in the applicable provisions of the Environmental, Social and Governance Reporting Guidelines in Appendix 27 to the Listing Rules; and (g) to consider other topics, as defined by the Board from time to time.

During the year ended 31 December 2022, the strategy and sustainability committee has held a meeting in March and performed the following major works:

- Review and discuss on the strategy reports for the operation and management of WTE plants, provisions of environmental hygiene and related services and integrated smart city management services; and

- Review and discuss on the sustainability report with external consultant and its compliance with Appendix 27 to the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

In view of the inevitable nature of certain risks associated with our business and industry, our risk management and internal control systems are designed to manage rather than eliminate unavoidable risks of failure to achieve the Group's business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board is responsible for formulating proper internal control and risk management systems (including ESG risk) for the Group, and reviewing its effectiveness annually. The system of internal controls covers the areas of financial, accounting, operational, compliance and risk management of the Group's business. During the year, the Board reviewed the effectiveness of the internal control and risk management system and considered it is effective and adequate. The internal audit department of the Group accountable and reports directly to the audit committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and senior management in complying with the regulatory requirements and guidelines, reviewing the continuing connected transaction of the Group, so as to improve the efficiency of the internal control system. Through continuous internal audit and reporting from time to time, the internal audit department will ensure the effective operation of the internal control system.

During the year, the audit committee reviewed and discussed the reports submitted by the internal audit department and reported the results to the Board. Should any material fault or any material weakness in monitoring be found, the internal audit department will report the same to the audit committee in timely manner. During the year, the audit committee and the Board, with the confirmation by the management as to the effectiveness of the system for the year ended 31 December 2022, considered that the internal control system of the Group worked effectively.

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

ASSESSMENT OF BOARD INDEPENDENCE

The Company has established the mechanism to ensure that the Board can obtain independent opinions and advice. Independent non-executive Directors can express their views in open, honest and confidential manners, through formal and informal channels. All Directors may request independent professional advice at the Company's expense when necessary to fulfill their duties. The Board reviews the implementation and effectiveness of this mechanism annually to ensure that independent opinions and advice are available to the Board throughout the year.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made;

- the Group strictly prohibits unauthorised use of confidential or inside information;

- the Group has also implemented procedures to guard against possible mishandling of inside information within the Group including pre-clearance on dealing in the securities of the Company by designated Directors and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees; and

- the Group keeps the Directors and employees appraised of the latest regulatory updates on disclosure requirements of inside information.

WHISTLE BLOWING POLICY

To report concerns, employees can contact the head of their respective departments or make a report through our whistleblowing platforms: a dedicated mailbox for submitting written complaints is set up at each of the operating project sites and will reach senior management directly within five working days from the date of submission and be handled promptly; a dedicated email address (whistleblowing@canvest.com.hk) is also setup for electronic and 24/7 submissions and will reach senior management directly within three working days from the date of submission. Confidentiality is ensured at all steps to protect all persons from reprisal or disadvantage as a result of making a report.

Once the reported behavior is confirmed to be true, the Group will take all necessary steps and adopt reasonable remedial measures. The policy also allows the independent non-executive directors of the Company to form a committee to investigate concerns raised by employees, monitor the progress of investigations, and decide on follow-up actions. In 2022, the Group arranged anti-corruption training, to all employees which involved business code of conduct, bribery, and code of conduct on gifts and hospitality, to enhance the integrity and ethical awareness of employees.

ANTI-CORRUPTION POLICY

The Group has established anti-fraud management measures to provide guidance and rules for all employees, including directors, senior management, middle management, and other employees. The anti-fraud management measures advocate honest, diligent, and fair professional ethics to prevent any improper behaviors that may harm the economic interests of the Group.

The anti-fraud management measures support the Company's compliance with anti-corruption related laws and regulations, including but not limited to the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Prevention of Bribery Ordinance (Chapter 201 of the Hong Kong Laws) etc., by prohibiting any form of bribery, corruption, extortion, and embezzlement of public funds.

DIRECTORS RESPONSIBILITY IN FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2022, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 54 of this annual report.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, the Company intends to declare dividends to shareholders every year. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

2022 ANNUAL GENERAL MEETING

At the 2022 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during 2022.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that good communications with the Shareholders is important in order to enable Shareholders and investors to have a better understanding of the businesses of the Group. Therefore, the Company set up the shareholders communication policy and the Board reviews the implementation and effectiveness of this policy annually. The Company has been reporting the performance and latest development of the Group to Shareholders through various channels and platforms, as follows:

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

— The Company is committed to improve its investor relations. During 2022 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;

— The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 169 in the corporate information of this annual report;

— The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2022 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk); and

— The Company's notice of 2023 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

Through the above communication methods, especially timely updates and other publicly available supplemental information about the Group's business, the Board considers the shareholder communication policy of the Company to be effective.

CONSTITUTIONAL DOCUMENTS

In order to provide flexibility and to give Shareholders the option of attending general meetings remotely through electronic means if necessary or appropriate, a special resolution for the adoption of a revised set of Memorandum and Articles of Association of the Company ("New Articles") is approval by Shareholders at the Company's annual general meeting held on 17 June 2022.

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

THE IMPACT OF THE COVID-19 PANDEMIC

In this challenging environment, all members of the Group took concerted actions to combat the pandemic, including formulation of preventive and control plans, provide guidance to project companies, monitoring the implementation of the safety measures by project companies, centralized procurement and distribution of personal protective equipment and disinfectants at project companies, so as to minimize the adverse impacts.

During the year and up to the date of this annual report, our business operations were not materially affected by the COVID-19 pandemic, and no suspension to the operating projects. The Group will closely monitor and assess the pandemic impacts, and take more proactive measures (wherever appropriate) in times of need. As at the date of this annual report, the Group is unaware that the pandemic has resulted in any material and adverse impact on the consolidated financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS' PROFILE

Executive Directors

Ms. Lee Wing Yee Loretta (李詠怡), aged 48, has been an executive Director and the chairlady of our Company since 2014, and is also a director of certain subsidiaries of the Company. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee has also been a non-executive director of Johnson (Stock Code: 1955) since 2019. Prior to joining our Group, Ms. Lee worked in the finance and human resources department of a private company from 1997 to 2012. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), aged 43, has been an executive Director and the deputy chairman of our Company on since 2014 and is currently a director of certain subsidiaries of the Company. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Prior to founding our Group, Mr. KM Lai was responsible for business development and was also a legal representative and chairman of other private companies from 1998 to 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

Mr. Yuan Guozhen (袁國楨), aged 57, has been as an executive Director of our Company since 2014 and is the Chief Executive Officer of our Group. He is also a director and legal representative of certain subsidiaries of the Company. Mr. Yuan is responsible for executing the overall strategies and managing the daily operation of our Group. Prior to joining our Group, Mr. Yuan served as a general manager of various companies from 1995 to 2014. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in 2009.

Mr. Lai Chun Tung (黎俊東), aged 48, has been an executive Director of our Company since 2014. Mr. CT Lai also assumed the role of a legal representative, chairman, general manager and/or director of various subsidiaries of the Company since 2007. Mr. CT Lai has also worked at private company since 1997 and is currently its executive director and manager. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 11th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省東莞市委員會) and a standing member of the 12th and the 13th Dongguan Committee of Chinese People's Political Consultative Conference. He resigned as a standing member of Dongguan Committee of Chinese People's Political Consultative Conference in January 2019. Mr. CT Lai is a member of the 14th Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議). He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in 2007 and obtained a DBA degree from IPAG Business School in July 2018. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Non-executive Directors

Mr. Feng Jun (馮駿), aged 59, is the chief representative of the Shanghai Representative Office of SIHL, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 363) and a chairman and chief executive officer of Shanghai Overseas Company Limited. He was an executive director of SIIC Environment Holdings Ltd., the shares of which are listed on the Main Board of the Singapore Stock Exchange (Stock code: BHK. SG) and listed on the Main Board of Hong Kong Stock Exchange since March 2018 (stock code: 807) from December 2009 to May 2021, a vice president of SIIC Management (Shanghai) Ltd. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics in 1987. He has over 30 years' experience in capital markets operation.

Mr. Lui Ting Cheong Alexander (呂定昌), aged 43, has been a non-executive Director of our Company since 2014. He is a managing director of Olympus Capital Holdings Asia where he co-heads the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since 2008. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in 2001.

Independent Non-executive Directors

Professor Sha Zhenquan (沙振權), aged 63, has been an independent non-executive Director of our Company since 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Sha was engaged as a counselor of Guangdong Province by Guangdong Provincial Government since March 2019. Professor Sha has been an independent non-executive director of China Qinfa Group Limited (中國秦發集團有限公司) (stock code: 866) since September 2018 and Shenzhen Overseas Chinese Town Co., Ltd. (深圳華僑城股份有限公司) (stock code: 000069) since April 2020, a company listed on the Shenzhen Stock Exchange. He was an independent director of Shenzhen Noposion Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215) from December 2009 to December 2015, an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014, an independent director of Dongling International Investment Co., Ltd. (廣州東淩國際投資股份有限公司) (formerly known as Dongling Grain and Oil Co., Ltd. (廣州東凌糧油股份有限公司)) (stock code: 000893) from June 2012 to January 2020, Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319) from August 2013 to August 2019, which are companies listed on the Shenzhen Stock Exchange. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in1982, a master's degree in engineering from South China University of Technology (華南理工大學) in 1991 and a doctor's degree in philosophy from City University of Hong Kong in 2001.

Mr. Chan Kam Kwan Jason (陳錦坤), aged 49, has been an independent non-executive Director of our Company since 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and company secretary of Brockman Mining Limited (Stock Code: 0159). He is the company secretary of Frontier Services Group Limited (Stock Code: 0500) and Concord New Energy Group Limited (Stock Code: 0182). He ceased to be an independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) on 19 August 2022. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia.

Mr. Chung Wing Yin (鍾永賢), aged 45 has been an independent non-executive Director of our Company since 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in 2002 and a solicitor of the Supreme Court of England and Wales in 2003, respectively. He is a founding partner of DeHeng Law Offices (Hong Kong) LLP and has over 20 years' experience in legal professional industry. Before founding Chungs Lawyers, Mr. Chung worked at several Hong Kong law firms and focused on general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. He was an independent non-executive director of Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock Code: 6122) from July 2016 to August 2021. He was an independent non-executive director of CBK Holdings Limited (Stock Code: 8428) from January 2017 to January 2021. Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in 1999 and 2004, respectively. Mr. Chung was appointed as the chairman of the Appeal Tribunal Panel (Buildings Ordinance) by the government of the Hong Kong Special administrative Region in 2018 and he was also appointed as a China Appointed Attesting Officer (Hong Kong) by the Ministry of Justice, the PRC in 2019.

Mr. Chung Kwok Nam (鍾國南), aged 71, has over 40 years' experience in banking and management. He was a zone manager of Industrial & Commercial Bank of China (Asia) Limited ("ICBC Asia") until his retirement in 2013. Before joining ICBC Asia, he was a branch manager of The Hongkong and Shanghai Banking Corporation Limited. He graduated in Pui Chung College in 1971.

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

SENIOR MANAGEMENT'S PROFILE

Mr. Song Lanqun (宋蘭群), aged 55, joined our Group in 2004 and was appointed as vice president and chief engineer of our Group in 2014. He is also a director of certain subsidiaries of the Company. Mr. Song is responsible for production operation of our Group. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Prior to joining our Group, Mr. Song served as a deputy general manager and chief engineer at a electricity generation company from 1997 to 2004. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in 2004.

Mr. Chen Bo (陳波), aged 47, has been a vice president and chief engineer of our Group since 2014. Mr. Chen joined Kewei in 2009 and China Scivest 2011 as executive deputy general manager and chief engineer. He is also a director of certain subsidiaries of the Company. He is responsible for construction of WTE plants and technology management of our Group. Prior to joining our Group, Mr. Chen was a deputy general manager and chief engineer of certain environmental power generating companies. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in 2000 with a bachelor of engineering degree in thermal power engineering.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Ms. Wong Ling Fong Lisa (王玲芳), aged 49, joined our Group in 2013 as the chief financial officer. She has also been our company secretary since 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong was appointed as a director of Johnson (Stock Code: 1955) in 2018 and was re-designated as a non-executive director in 2019. Prior to joining our Group, she was in charge of the investment department of a private company and was also a financial controller from 2005 to 2012. She worked at KPMG from 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in 1998 with a degree of bachelor of arts in accountancy.

Ms. Guo Huilian (郭惠蓮), aged 53, joined our Group in 2011 and is a vice president of our Group since 2014. She is responsible for the business development, administration and procurement of our Group. She is also a director of certain subsidiaries of the Company. Prior to joining our Group, Ms. Guo carried out managerial function and financial management roles in other private companies from 1998 to 2008. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

Ms. Zhang Xunmei (張洵梅), aged 54, joined our Group in 2009 and is a vice president of our Group since 2014. She is also a director of certain subsidiaries of the Company. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in 2000. Prior to joining our Group, Ms. Zhang served as financial manager and the assistant to the general manager of a private company from 2007 to 2009. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in 1989 with an associate degree (大專學歷) in industrial moulding design.

Mr. Zhao Li (趙立), aged 54, joined our Group in 2015 and was appointed as vice president of our Group and is responsible for the construction of WTE plants of the Group. Prior to joining our Group, Mr. Zhao served as a deputy general manager and chief engineer of a electricity generation company from 2003 to 2014. He graduated from the Wuhan University (武漢大學) in 1990 with a bachelor of engineering degree in thermal power engineering of power plant. He has over 27 years' experience in energy sector.

Mr. Zhang Chao (張超), aged 51, joined our Group in November 2020 and was appointed as vice president. He is responsible for the production safety, legal affairs and operation management of our Group. Prior to joining our Group, Mr. Zhang worked as the executive director and chief executive officer of China Jinjiang Environment Holding Company Limited, the shares of which are listed on the Mainboard of Singapore Stock Exchange (stock code: BWM.SG) and was also a general counsel and deputy general manager of China Energy Conservation and Environmental Protection Group from beforehand. He is the vice-president of China Industrial Energy Conservation and Clean Production Association and has extensive experience in legal professional and energy conservation industry. Mr. Zhang graduated from the China University of Political Science and Law (中國政法大學) with a bachelor of law degree in 1994 and obtained a master's degree in law from the Renmin University of China (中國人民大學) in 2002. He also completed the EMBA programme of Tsinghua University (清華大學) in 2015.

REPORT OF THE DIRECTORS

The Board is pleased to present this report for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS

The Company is a limited company incorporated in the Cayman Islands and its principal place of business is at Unit 6803B, 68/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holdings. Its operating subsidiaries are principally engaged in the operation and management of WTE plants, provision of environmental hygiene and related services and integrated smart city management services.

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out in note 14(a) to the consolidated financial statements.

RESULTS AND OVERALL PERFORMANCE

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 77 of this annual report.

Business review of the Group during the year ended 31 December 2022, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 10 to 14 of this annual report. Management discussion and analysis are set out on pages 15 to 33 of this annual report.

DIVIDENDS

The Board has proposed the declaration of a final dividend of HK4.7 cents per Share for the year ended 31 December 2022 (2021: HK5.8 cents per Share). If approved by shareholders, the proposed final dividend are expected to be paid on Monday, 31 July 2023 to Shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023. Total dividend of 2022 was HK10.9 cents per Share.

SHARES ISSUED IN THE YEAR

Details of the Shares issued in the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements.

As at 31 December 2022, the annual results announcement date (i.e. 22 March 2023) and the date of this annual report, the Company had 2,439,541,169 Shares in issue.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 81 to 82 of this annual report.

As at 31 December 2022, the reserves of the Company available for distribution to shareholders amounted to HK$2,759.2 million (2021: HK$2,786.8 million).

CHARITABLE DONATIONS

The total amount of charitable donations made by the Group during the year ended 31 December 2022 was HK$8.8 million.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022, the property, plant and equipment of the Group amounted to approximately HK$1,159.0 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 16 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2022 are set out in note 27 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2022 are set out in note 11 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 2.22 to the consolidated financial statements. The contributions by the Group are expensed as incurred and forfeited contributions under the defined contribution scheme may be used by the Group to reduce the existing level of contributions.

FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2022 and the 5 preceding financial years is set out on pages 166 to 167 of this annual report.

DIRECTORS

The list of Directors of the Board is set out on page 35 of this annual report and their biographical details are set out on pages 51 to 53 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Mr. Lai Kin Man, Mr. Feng Jun, Professor Sha Zhenquan and Mr. Chung Wing Yin will retire at the 2023 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

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

Below are the changes of Director's information during the year are set out below:

Mr. CT Lai, an executive Director of the Company, is a member of the 14th Committee of Chinese People's Political Consultative Conference.

Mr. Chan Kam Kwan Jason, an independent non-executive Director of the Company, ceased to be an independent non-executive Director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) on 19 August 2022.

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

SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 53 to 54 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

On 3 June 2021, the Company and Yue Xing entered into the supplemental leasing framework agreement ("YX Supplemental Leasing Framework Agreement") to renew and revise the annual caps in the previous leasing framework agreement (the "YX Leasing Framework Agreement") for a term of three years commencing from 1 July 2021 and will expire on 30 June 2024 (both days inclusive). The annual caps for the transactions for the period from 1 July 2021 to 31 December 2021, for the financial years ending 31 December 2022 and 2023 and for the period from 1 January 2024 to 30 June 2024 are RMB5.0 million, RMB10.0 million, RMB10.0 million and RMB5.0 million, respectively. Please refer to the announcement of the Company dated 3 June 2021 for further details. The rent paid by the Group to Yue Xing for the period from 1 January 2022 to 6 February 2022 was HK$0.7 million (for the year ended 31 December 2021: HK$7.9 million).

On 7 February 2022, in order to facilitate our operations and continuing expansion and better govern the portfolio of properties available for leasing by the Group from companies controlled by Mr. Lai Chun Tung, an executive Director, (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement and YX Supplemental Leasing Framework Agreement. On the same day, the Company and Sanyang entered into a leasing framework agreement (the "Sanyang Leasing Framework Agreement"), pursuant to which Sanyang agreed to lease certain commercial properties held by itself and companies controlled by it (including that of Yue Xing) to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB10.8 million, RMB10.8 million, RMB10.8 million and RMB0.9 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details. For the period from 7 February 2022 to 31 December 2022, the rent paid by the Group to Sanyang was HK$8.8 million (for the year ended 31 December 2021: nil).

REPORT OF THE DIRECTORS

On 7 February 2022, the Company and Canvest ECT entered into a monitoring and audit services agreement (the "MAS Framework Agreement"), pursuant to which Canvest ECT has been engaged to provide monitoring and audit services for the routine maintenance works for the machineries operated by the Group in the Group's WTE plants for a term of three years commencing from 7 February 2022 to 6 February 2025 (both days inclusive). The annual caps for the transactions for the period from 7 February 2022 to 31 December 2022, for the financial years ending 31 December 2023 and 2024 and for the period from 1 January 2025 to 6 February 2025 are RMB6.5 million, RMB7.0 million, RMB7.5 million and RMB0.7 million, respectively. Please refer to the announcement of the Company dated 7 February 2022 for further details. For the year ended 31 December 2022, service fee amounted to HK$3.5 million (2021: nil).

On 9 February 2022, the Group entered into the operations management agreement with SIIC Baojingang ("SIIC Baojingang Operations Management Agreement"), pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE plant. The annual caps for the transactions for the financial years ending 31 December 2022 to 2025 are RMB46.0 million, RMB46.0 million, RMB46.0 million and RMB46.0 million, respectively. Please refer to the announcements of the Company dated 9 February 2022 and 11 February 2022 for further details. For the year ended 31 December 2022, the management service income amounted to HK$30.1 million (2021: nil).

The internal audit of the Group has reviewed the 2022 continuing connected transactions and the relevant internal control procedures in respect of the negotiation, review, approval, agreement, management, reporting and monitoring process of the 2022 continuing connected transactions, and is of the view that the 2022 continuing connected transactions were conducted in accordance with the terms of the YX Supplemental Leasing Framework Agreement, Sanyang Leasing Framework Agreement, MAS Framework Agreement and SIIC Baojingang Operations Management Agreement in compliance with the internal control procedures.

All the independent non-executive Directors of the Company, having reviewed the 2022 continuing connected transactions under the YX Supplemental Leasing Framework Agreement, Sanyang Leasing Framework Agreement, MAS Framework Agreement and SIIC Baojingang Operations Management Agreement and the findings provided by the Group's internal audit, confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the continuing connected transaction carried out under the YX Supplemental Leasing Framework Agreement, Sanyang Leasing Framework Agreement, MAS Framework Agreement and SIIC Baojingang Operations Management Agreement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has confirmed that the auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforementioned continuing connected transaction in accordance with rule 14A.56 of the Listing Rules and reported the results in this letter to the Board. A copy of the auditor's letter had been provided by the Company to the Hong Kong Stock Exchange.

Each of the above continuing connected transaction is subject to reporting, annual review and announcement requirements but exempted from circular and independent Shareholders' approval requirements pursuant to rule 14A.76(2) of the Listing Rules. The Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules.

DIVIDEND POLICY

Details of the dividend policy adopted by the Company is set out in the corporate governance report on pages 34 to 50 of this annual report.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. In 2021, 500,000 share options had lapsed and 2,500,000 share options remain outstanding as at 31 December 2022. Details of the movement in share options of the Company during the year ended 31 December 2022 are set out in note 25(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	To recognise, motivate and provide incentives to eligible participants who make contributions to the Group: 1. To motivate the eligible participants to optimise their performance and efficiency; and 2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: 1. Any full-time or part-time employees of any member of the Group; 2. Any consultant or advisor of any member of the Group; 3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group; 4. Any substantial shareholder of any member of the Group; and 5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2022, annual results announcement date and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 8.08%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2022, the annual results announcement date (i.e. 22 March 2023) and as at the date of this annual report, respectively.

REPORT OF THE DIRECTORS

Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
The minimum period for which an option must be held before it can be exercised	A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any option granted under the Share Option Scheme can be exercised. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.
The amount payable on application or acceptance of the option, and the period within which payments or calls must or may be made, or loans for such purposed must be paid	Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.
The basis of determining the exercise price	The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined solely by the Board and notified to a grantee and shall be at least the higher of: 1. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; 2. The average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and 3. The nominal value of a Share on the date of grant of the option.
Validity of the Share Option Scheme	10 years, from 7 December 2014 to 6 December 2024. The remaining life of the Share Option Scheme is approximately 1 year and 9 months.

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015, 2015–2021 annual report, 2022 interim report and note 25(c) to the consolidated financial statements for further details.

Name or category of participant	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2022	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	1,750,000	—	—	—	—	1,750,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	2,500,000	—	—	—	—	2,500,000			

* 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 8.08%, 8.08% and 8.08% of the issued share capital of the Company as at 31 December 2022, the annual results announcement date (i.e. 22 March 2023) and as at the date of this annual report, respectively.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 3 May 2019 to recognise the contributions by certain employees, consultants or advisers (collectively, the "Eligible Persons"). Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. As at the date of this annual report, the remaining life of the Share Award Scheme is approximately 85 months. The maximum number of Shares which may be awarded to an Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. Please refer to the announcement of the Company dated 3 May 2019 for further details.

On 17 July 2019, the Trustee purchased an aggregate of 10,100,000 Shares from Wise Power Investment Limited for the purpose of the Share Award Scheme. The Shares are held by the Trustee for the benefit of the Eligible Persons under the Trust. No Shares was granted or vested under Share Award Scheme as at 31 December 2022, the annual results announcement date (i.e. 22 March 2023) and the date of this annual report. Please refer to the announcement of the Company dated 17 July 2019 for further details.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

As at 31 December 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(1) Long positions in shares of the Company

	Number of Shares/Underlying Shares Held						
Name of Director	Personal interest	Number of underlying shares held under equity derivatives[2]	Spouse interests	Founder of a discretionary trust[1]	Beneficiary of trust	Total interests[4]	Total interests as % of the issued share capital
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	—	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:

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

2. Details of share options held by the directors are shown in page 61.

3. These represent the 250,000 share options held by Mr. CT Lai.

4. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

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

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

Note:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHORT POSITIONS

So far as is known to the Directors or chief executives of the Company, as at 31 December 2022, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO; or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,335,615,837(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%

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.

As at 31 December 2022, the Company had not been notified of any short positions being held by any substantial shareholders in the Shares or underlying Shares.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 17 July 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$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. As at 31 December 2021, the proceeds of HK$1,938.0 million and the incremental proceeds of HK$598.0 million have been fully utilized for the repayment of loans and general working capital. Pursuant to the Facility Agreement I, it shall constitute a mandatory prepayment event (among others) if Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung 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. The proceeds have been fully repaid in November 2022.

On 23 November 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$390.0 million due to expire in July 2023 has been granted to the Company. As at 31 December 2021, the proceeds of HK$390.0 million have been fully utilized for the Group's capital expenditure and general working capital. Pursuant to the Facility Agreement II, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 23 November 2020 for further details. The proceeds have been fully repaid in November 2022.

On 5 August 2021, the Company (as borrower) entered into a facility agreement (the "Facility Agreement III") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$150.0 million for a term of 36 months from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK$150.0 million have been utilized. Pursuant to the Facility Agreement III, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 5 August 2021 for further details.

On 20 April 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement IV") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$250.0 million for a term of 15 months (which may be further extended for another 15 months) from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK$250.0 million have been utilized. Pursuant to the Facility Agreement IV, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 20 April 2022 for further details.

On 25 April 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement V") with a financial institution pursuant to which a term loan facility in the aggregate amount of HK$150.0 million for a term of 18 months from the date of drawdown has been granted to the Company. As at 31 December 2022, the proceeds of HK$150.0 million have been utilized. Pursuant to the Facility Agreement V, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 25 April 2022 for further details.

On 30 August 2022, the Company (as borrower) entered into a facility agreement (the "Facility Agreement VI") with certain financial institutions pursuant to which a term loan facility in the aggregate amount of HK$2,891.0 million (with incremental facilities of up to a further HK$200.0 million) for a term of 36 months from the date of first utilisation has been granted to the Company. As at 31 December 2022, this facility of HK$2,891.0 million has been utilized. Pursuant to the Facility Agreement VI, it shall constitute a mandatory prepayment event (among others) if the Controlling Shareholders collectively (i) cease directly or indirectly to own more than 35% or above of the total shares of the Company; or (ii) cease to be the single largest shareholder of the Company or lose management control in the Company. Please refer to the announcement of the Company dated 30 August 2022 for further details.

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

INTERESTS OF ANY OTHER PERSONS

Save as disclosed in the foregoing, as at 31 December 2022, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

EMPLOYEES AND REMUNERATION POLICIES OF THE GROUP

As at 31 December 2022, the Group had a total of 4,762 employees of which 69.3% were male and 30.7% were female. The related employees' costs for the year ended 31 December 2022 amounted to HK$615.4 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

Details of Directors' remuneration and the five highest paid individuals of the Group during 2022 are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During 2022, the Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

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

The independent non-executive Directors have reviewed the compliance of the Controlling Shareholders with the deed of non-competition dated 10 December 2014 (the "Non-competition Deed"). The Controlling Shareholders of the Company have confirmed to the Company that they have complied with the non-competition undertaking under the Non-competition Deed in the 2022.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed under the headings "Continuing Connected Transaction", no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: same).

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

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

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

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details disclosed under the headings "Share Option Scheme", "Share Award Scheme" and "Directors' interests in shares, underlying shares and short positions" in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits (2021: same).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the largest and five largest customers of the Group accounted for less than 11% and 40% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 17% and 42% of purchases of the Group for the year, respectively.

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

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

Employees

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

Customers

We value the feedback from the customers through daily communication and regular meetings. The Company will coordinate with the major customers, China Southern Power Grid and the State Grid for regular maintenance with an aim to minimize the impact to the grid. Moreover, we will address to the concern or request raised by the grid companies in a timely manner and in accordance with the appropriate standards. In addition, we keep close contact with the local governments to ensure that the waste can be treated promptly and avoid pollution.

Suppliers

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

Local regulatory authorities

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2022.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 34 to 50 of this annual report.

RISKS AND UNCERTAINTIES

The major risks and uncertainties faced by the Group are set out in the management and discussion analysis on page 32 to 33 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

Discussions of environmental policies of the Group and its performance for the year ended 31 December 2022 are set out in the Sustainability Report, which will be issued on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange (www.hkexnews.hk) separately at the same time as the publication of the annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital being held by the public at all times during 2022 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2022, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 36 to the consolidated financial statements of this annual report. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions under the Listing Rules, they are in compliance with the applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules. Other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

MAJOR PROPERTIES HELD BY THE GROUP

Major properties which are 100% held by the Group is located at 28/F and 29/F, No. 9 Des Voeux Road West, Hong Kong.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2023 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2023 AGM.

EVENTS AFTER THE BALANCE SHEET DATE

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

On behalf of the Board

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2023

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 77 to 165, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- recognition of construction revenue arising from service concession arrangements; and
- assessment of the expected credit losses of trade receivables and receivables under service concession arrangements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction revenue arising from service concession arrangements Refer to notes 4 and 5 to the consolidated financial statements. The Group entered into a number of service concession arrangements with local government authorities in respect of its waste-to-energy projects. These arrangements are accounted for with reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements. The Group acts as a service provider which constructs infrastructure used to provide waste-to-energy services and operates and maintains those infrastructure for a specified period of time under the respective service concession arrangements.	In auditing the recognition of construction revenue arising from service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We obtained an understanding of the management's internal controls over the business process of recognition of construction revenue arising from service concession arrangements, evaluated and validated key controls. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with the accounting estimates for construction revenue arising from service concession arrangements.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue from the construction services is recognised over time with reference to the construction costs incurred as a percentage of the total estimated construction costs for each contract plus an expected mark-up margin. The Group recognised construction revenue of HK$4,360,980,000 from these arrangements for the year ended 31 December 2022, representing 53% of the Group's total revenue. We focused on auditing the construction revenue arising from service concession arrangements because the estimation of total construction costs, progress towards complete satisfaction of performance obligation and mark-up margin of the Group's projects are subject to high degree of estimation uncertainty and subjectivity in management's judgement.	We performed an evaluation of the judgements made by management, discussed the status of projects with management and examined project documentation including status reports prepared internally by project managers or externally by contractors as applicable. We compared the estimated construction costs for each project under construction phase with reference to the actual costs incurred for completed projects of comparable energy output and combustion capacity. We also circulated independent confirmations to major contractors to confirm the actual costs incurred on a sample basis. The Group has engaged an independent valuer to assist management to estimate the mark-up margin, with reference to gross margin of listed companies which are engaged in similar business of the Group. We assessed the competency, capability and objectivity of the independent valuer by considering its qualifications, relevant experience and relationship with the Group. We also discussed with the independent valuer and management to understand the basis of selection and evaluated the reasonableness of the mark-up margin by crosschecking to publicly available financial information of those comparable companies. Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of construction revenue arising from service concession arrangements are supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables and receivables under service concession arrangements Refer to notes 3.1(ii), 4, 20 and 21 to the consolidated financial statements. As at 31 December 2022, the gross carrying amount of trade receivables and receivables under service concession arrangements amounted to HK$1,328,253,000 and HK$3,536,403,000, which accounted for 5% and 14% of the Group's total assets, respectively. Management has assessed the expected credit losses and loss allowance of HK$11,933,000 and HK$26,778,000 were made against the trade receivables and receivables under service concession arrangements, respectively. The identification and determination of the expected credit losses of trade receivables and receivables under service concession arrangements require the application of critical judgement by management. The Group recognised the loss allowance based on expected credit losses, which is subject to high degree of estimation uncertainty. Trade receivables and receivables under service concession arrangements were grouped by reference to the credit risk characteristics and assessed collectively for credit loss allowance. When measuring expected credit loss, the Group considered the credit loss incurred in the past, and adjusted by taking into consideration current conditions and forward looking factors. We focused on this area because of the magnitude of gross trade receivables and receivables under service concession arrangements balances at the year end date and the significant management judgement involved in the estimation of the credit loss allowance.	In auditing the recognition of loss allowance of trade receivables and receivables under service concession arrangements, we have performed the following key procedures on the assessment prepared by management. We obtained an understanding of the management's internal controls over the business process of recognition of loss allowance of trade receivables and receivables under service concession arrangements, evaluated and validated key controls. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with the accounting estimates for loss allowance of trade receivables and receivables under service concession arrangements. We assessed the appropriateness of the grouping and the credit loss provisioning methodology adopted by management, discussed with management, for the details of their evaluations and challenged the underlying information referenced by management, which included comparing with external evidence obtained from independent research on public available information, as well as forward looking estimates, performing ageing analysis and testing of the subsequent settlements of the customers. We checked the mathematical accuracy of the calculation of the provision for loss allowance. Based upon the results of the above procedures, we found that the judgements and estimation made by management in respect of the recognition of loss allowance on trade receivables and receivables under service concession arrangements are supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**8,246,645**	6,794,571
Cost of sales	6	**(5,717,624)**	(4,684,292)
Gross profit		**2,529,021**	2,110,279
General and administrative expenses	6	**(580,010)**	(517,952)
Other income	7	**215,875**	237,809
Other (losses)/gains, net	8	**(108,163)**	32,384
Operating profit		**2,056,723**	1,862,520
Interest income	11	**14,500**	11,854
Interest expense	11	**(614,284)**	(423,462)
Interest expense, net		**(599,784)**	(411,608)
Share of net profits of associates and joint ventures	18	**189,934**	96,498
Profit before income tax		**1,646,873**	1,547,410
Income tax expense	12	**(287,410)**	(228,243)
Profit for the year		**1,359,463**	1,319,167
Attributable to:			
Equity holders of the Company		**1,332,805**	1,321,995
Non-controlling interests		**26,658**	(2,828)
Profit for the year		**1,359,463**	1,319,167
Earnings per share			
— basic (expressed in HK cents per share)	13	**54.9**	54.4
— diluted (expressed in HK cents per share)	13	**54.9**	54.4

The notes on pages 85 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**1,359,463**	1,319,167
Other comprehensive (loss)/income, net of tax:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(977,155)**	281,480
Release of exchange differences upon disposal of a subsidiary	**—**	(336)
Other comprehensive (loss)/income for the year, net of tax	**(977,155)**	281,144
Total comprehensive income for the year	**382,308**	1,600,311
Attributable to:		
Equity holders of the Company	**402,246**	1,592,439
Non-controlling interests	**(19,938)**	7,872
Total comprehensive income for the year	**382,308**	1,600,311

The notes on pages 85 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Right-of-use assets	15	**475,737**	397,689
Property, plant and equipment	16	**1,158,951**	1,331,683
Intangible assets	17	**14,569,667**	13,317,241
Interests in associates and joint ventures	18	**1,461,723**	1,389,711
Long-term deposits and prepayments	20	**432,445**	1,629,637
Receivables under service concession arrangements	21	**3,242,873**	2,361,965
		21,341,396	20,427,926
Current assets			
Inventories	22	**30,569**	22,321
Other receivables, deposits and prepayments	20	**876,949**	913,729
Receivables under service concession arrangements	21	**266,752**	262,836
Trade and bills receivables	20	**1,316,320**	1,062,020
Restricted deposits	23	**124,626**	46,830
Time deposits	24	**22,500**	—
Cash and cash equivalents	24	**1,809,883**	1,704,008
		4,447,599	4,011,744
Assets classified as held-for-sale	31	**31,186**	—
		4,478,785	4,011,744
Total assets		**25,820,181**	24,439,670
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	**24,395**	24,395
Share premium	25	**2,640,551**	2,640,551
Other reserves	25	**866,301**	1,469,618
Retained earnings		**5,171,787**	4,350,966
		8,703,034	8,485,530
Non-controlling interests		**300,872**	400,405
Total equity		**9,003,906**	8,885,935

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	27	**11,838,520**	11,279,473
Lease liabilities	28	**—**	2,751
Deferred income tax liabilities	19	**941,508**	857,969
Deferred government grants	29	**189,807**	224,716
Other non-current liabilities		**10,400**	8,755
		12,980,235	12,373,664
Current liabilities			
Trade and other payables	30	**2,014,727**	1,699,144
Current income tax liabilities		**62,280**	40,908
Bank borrowings	27	**1,743,809**	1,424,402
Lease liabilities	28	**2,751**	6,493
Deferred government grants	29	**12,473**	9,124
		3,836,040	3,180,071
Total liabilities		**16,816,275**	15,553,735
Total equity and liabilities		**25,820,181**	24,439,670
Net current assets		**642,745**	831,673
Total assets less current liabilities		**21,984,141**	21,259,599

The consolidated financial statements on pages 77 to 165 were approved by the Board of Directors on 22 March 2023 and were signed on its behalf.

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

The notes on pages 85 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to equity holders of the Company											
	Note	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25)	Shares held under share award scheme HK$'000 (Note 26)	Capital reserve HK$'000 (Note 25)	Statutory reserve HK$'000 (Note 25)	Other reserves HK$'000 (Note 25)	Share option reserve HK$'000 (Note 25)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021		24,395	2,640,551	(37,513)	704,944	448,093	(176,369)	5,834	82,174	3,442,497	7,134,606	284,815	7,419,421
Comprehensive income													
Profit/(loss) for the year		—	—	—	—	—	—	—	—	1,321,995	1,321,995	(2,828)	1,319,167
Other comprehensive income/(loss)													
Currency translation differences		—	—	—	—	—	—	—	270,780	—	270,780	10,700	281,480
Release of exchange differences upon disposal of a subsidiary		—	—	—	—	—	—	—	(336)	—	(336)	—	(336)
Total comprehensive income for the year		—	—	—	—	—	—	—	270,444	1,321,995	1,592,439	7,872	1,600,311
Appropriation of statutory reserve		—	—	—	—	172,984	—	—	—	(172,984)	—	—	—
Dividend approved and paid in respect of the previous year		—	—	—	—	—	—	—	—	(119,538)	(119,538)	—	(119,538)
Interim dividend declared and paid	32	—	—	—	—	—	—	—	—	(121,977)	(121,977)	—	(121,977)
Share options lapsed	25	—	—	—	—	—	—	(973)	—	973	—	—	—
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	1,668	1,668
Disposal of a subsidiary		—	—	—	—	—	—	—	—	—	—	(8,889)	(8,889)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	—	—	114,939	114,939
Balance at 31 December 2021		24,395	2,640,551	(37,513)	704,944	621,077	(176,369)	4,861	352,618	4,350,966	8,485,530	400,405	8,885,935
Representing:													
2021 proposed final dividend	32									141,493			
Other retained earnings										4,209,473			
										4,350,966			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to equity holders of the Company											
	Note	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25)	Shares held under share award scheme HK$'000 (Note 26)	Capital reserve HK$'000 (Note 25)	Statutory reserve HK$'000 (Note 25)	Other reserves HK$'000 (Note 25)	Share option reserve HK$'000 (Note 25)	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022		24,395	2,640,551	(37,513)	704,944	621,077	(176,369)	4,861	352,618	4,350,966	8,485,530	400,405	8,885,935
Comprehensive income													
Profit for the year		—	—	—	—	—	—	—	—	1,332,805	1,332,805	26,658	1,359,463
Other comprehensive loss													
Currency translation differences		—	—	—	—	—	—	—	(930,559)	—	(930,559)	(46,596)	(977,155)
Total comprehensive (loss)/income for the year		—	—	—	—	—	—	—	(930,559)	1,332,805	402,246	(19,938)	382,308
Appropriation of statutory reserve		—	—	—	—	219,239	—	—	—	(219,239)	—	—	—
Dividend approved and paid in respect of the previous year	32	—	—	—	—	—	—	—	—	(141,493)	(141,493)	—	(141,493)
Interim dividend declared and paid	32	—	—	—	—	—	—	—	—	(151,252)	(151,252)	—	(151,252)
Acquisition of non-controlling interests	14(b)	—	—	—	—	—	108,003	—	—	—	108,003	(126,965)	(18,962)
Dividend to non-controlling interests		—	—	—	—	—	—	—	—	—	—	(2,760)	(2,760)
Capital injection from non-controlling interests	14	—	—	—	—	—	—	—	—	—	—	50,130	50,130
Balance at 31 December 2022		24,395	2,640,551	(37,513)	704,944	840,316	(68,366)	4,861	(577,941)	5,171,787	8,703,034	300,872	9,003,906
Representing:													
2022 proposed final dividend	32									114,658			
Other retained earnings										5,057,129			
										5,171,787			

The notes on pages 85 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Profit before income tax	**1,646,873**	1,547,410
Adjustment for:		
Revenue from project construction services	**(4,360,980)**	(3,515,339)
Finance income from service concession arrangements	**(171,993)**	(114,819)
Share of net profits of associates and joint ventures	**(189,934)**	(96,498)
Depreciation of property, plant and equipment	**151,106**	144,758
Amortisation of intangible assets	**650,464**	488,075
Amortisation of right-of-use assets	**23,509**	12,739
Amortisation of deferred government grants	**(12,552)**	(9,160)
Impairment of trade receivables	**6,000**	5,933
Impairment of receivables under service concession arrangements	**14,000**	12,778
Impairment of other receivables	**8,956**	18,000
Interest income	**(14,500)**	(11,854)
Interest expense	**614,284**	423,462
Exchange differences	**108,154**	(30,549)
Gain on disposal of a subsidiary	**—**	(1,846)
Loss on disposals of property, plant and equipment	**9**	11
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)		
— Non-current prepayments	**1,303,391**	(927,708)
— Inventories	**(9,646)**	(6,418)
— Receivables under service concession arrangements	**242,620**	166,049
— Trade and bills receivables and other receivables	**(328,080)**	(586,288)
— Trade and other payables	**163,833**	272,608
Net cash used in operations	**(154,486)**	(2,208,656)
Income tax paid	**(93,692)**	(141,221)
Net cash used in operating activities	**(248,178)**	(2,349,877)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Proceeds from disposal of a subsidiary		**22,646**	13,498
Deposits paid for investments		**(8,733)**	(2,710)
Payments for acquisition of leasehold land held for own use		**(122,838)**	(251,096)
Payments for purchase of property, plant and equipment		**(114,904)**	(115,190)
Proceeds from disposals of property, plant and equipment	33(b)	**63**	1,341
Expenditure capitalised on development projects		**(8,657)**	(1,063)
(Increase)/decrease in restricted deposits for investment		**(27,565)**	769
Dividends from associates		**49,534**	17,349
Acquisition of subsidiaries		**(7,939)**	(30,184)
Acquisition of an associate		**—**	(15,463)
Capital contribution to joint ventures		**(5,883)**	(29,040)
Capital contribution and loan to associates		**(66,104)**	(24,995)
Interest received from bank deposits		**13,924**	7,902
Interest received from an associate		**576**	3,952
Increase in time deposits		**(22,500)**	—
Net cash used in investing activities		**(298,380)**	(424,930)
Cash flows from financing activities			
Proceeds from borrowings	33(a)	**6,618,409**	4,655,349
Repayments of borrowings	33(a)	**(4,842,736)**	(1,391,381)
Interest paid		**(639,362)**	(465,757)
Principal elements of lease payments	33(a)	**(6,493)**	(6,388)
Interest elements of lease payments	33(a)	**(150)**	(156)
Dividends paid to equity holders of the Company		**(292,745)**	(241,515)
Dividends paid to non-controlling interests		**(2,760)**	—
Capital contribution from non-controlling interests		**50,130**	114,939
Acquisition of non-controlling interests	14(b)	**(18,962)**	—
Increase in restricted deposits for financing		**(55,942)**	—
Net cash generated from financing activities		**809,389**	2,665,091
Net increase/(decrease) in cash and cash equivalents		**262,831**	(109,716)
Cash and cash equivalents at beginning of year		**1,704,008**	1,769,598
Currency translation differences		**(156,956)**	44,126
Cash and cash equivalents at end of year		**1,809,883**	1,704,008

The notes on pages 85 to 165 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022:

Amendments to annual improvements project	Annual Improvements to HKFRS Standards 2018–2020 Cycle
Amendments to Hong Kong Accounting Standard ("HKAS") 37	Onerous Contracts — Costing of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for reporting period ended 31 December 2022 and have not been early adopted by the Group are as follows:

Standards/ Interpretations	Subject	Effective for accounting period beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance Contracts (New Standard)	1 January 2023
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be announced

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

When the Group acquires a business, it assesses all identifiable intangible assets in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

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

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

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

(c) *Changes in ownership interests in subsidiaries with loss of control*

When the Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss, as part of the gain or loss on sale.

2.2.2 Separate financial statements

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

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

2.3 Joint ventures and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights of that entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint ventures and associates (Continued)

Interests in joint ventures and associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures and associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investments equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures or associate.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by joint venture and associates have been adjusted to conform with the Group's accounting policies.

The carrying amount of equity-accounted investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The Group performs it annual impairment reviews for goodwill as at 31 December every year. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Concession right to a build-operate-transfer ("BOT") WTE plant

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

(c) Other intangible assets

All research costs are expensed when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate probable future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Capitalised development costs are recorded as intangible assets and stated at cost less accumulated amortisation and impairment losses and are amortised from the point at which the asset is ready for use.

Contract backlog and brand name acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently amortised on the straight-line basis over their useful lives and carried at cost less accumulated amortisation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(c) Other intangible assets (Continued)

Their estimated useful lives are as follows:

Contract backlog	2 years
Brand name	15 years
Capitalised development costs	5 years

The amortisation period and the amortisation method for an intangible asset with a limited useful life are reviewed at least annually.

2.8 Service concession arrangements

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

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

(a) Consideration given by the Grantor

(i) Service concession arrangements under intangible asset model

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

Revenue relating to operating service are accounted for in accordance with the policy for Note 2.21 "Revenue recognition". Costs for operating services are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Service concession arrangements (Continued)

(a) Consideration given by the Grantor *(Continued)*

(ii) Service concession arrangements under hybrid model

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

(b) Construction and upgrade services

The fair value of the construction and upgrade service under the services concession arrangement is calculated as the estimated total construction cost plus an expected mark-up margin. Construction revenue from concession arrangements are accounted for in accordance with the policy for Note 2.21 "Revenue Recognition".

2.9 Impairment of non-financial assets

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

In assessing whether there is any indication that an asset may be impaired, the Group considers the following indications:

External sources of information

— there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

— significant changes with an adverse effect have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in the market to which an asset is dedicated.

— market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets (Continued)

Internal sources of information

— evidence is available of obsolescence or physical damage of an asset.

— significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

— evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

2.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement category:

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are grouped under "general and administrative expenses" and presented as separate line items under Note 6 in the consolidated statement of profit or loss.

(iv) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables and receivables under service concession arrangements, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, as described Note 3.1(ii).

2.11 Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.13 Inventories

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

2.14 Receivables

(a) Trade and other receivables

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

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

(b) Receivables under service concession arrangements

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

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Share capital and shares held under share award scheme

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

Consideration paid for shares held under share award scheme is deducted from equity attributable to the equity holders of the Company and disclosed as "Shares held under share award scheme".

2.17 Trade and other payables

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

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

2.18 Borrowings

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

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

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

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

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for respective jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority accept on uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and losses.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax (Continued)

(c) Offsetting

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

(d) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (such as "Announcement of Ministry of Finance and the State Taxation Administration on Further Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses" in the PRC). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.21 Revenue recognition

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

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

(i) Revenue from power sales

The Group is engaged in sales of electricity. Revenue is recognised over the period that services are rendered and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

(ii) Rendering of waste treatment services

The Group is engaged in provision of waste treatment services. Revenue is recognised over the period that services are rendered and the Group's performance provide all the benefits received and consumed simultaneously by the customers.

(iii) Construction revenue from service concession arrangements

The Group provides construction services under service concession arrangements. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs for each contract.

(iv) Finance income from service concession arrangements

Finance income is recognised using the effective interest method. When the receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(v) Rendering of environmental hygiene and other services

The Group is engaged in provision of environmental hygiene and other services. Revenue is recognised over the period that services are rendered and the Group's performance provide all the benefits received and consumed simultaneously by the customers.

(vi) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceed the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations. In the consolidated balance sheet, the contract assets mainly consist of receivables under service concession arrangements and contract liabilities mainly consist of receipt in advance from customers recognised under other payables.

The Group recognised its contract assets under "Receivables under service concession arrangements" in the consolidated balance sheet.

(vii) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(viii) Government grants

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

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

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

(ix) Sales of bottom ash and scrap materials

Revenue from the sales of bottom ash and scrap materials are recognised at the point in time when control of the assets are transferred to the customer, generally when the customer obtains the physical possession or the legal title of the bottom ash and scrap materials and the Group has present right to payment and the collection of the consideration is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(x) Rendering of non-hazardous waste handling services

The Group is engaged in provision of non-hazardous waste treatment services. Revenue is recognised over the period that services are rendered and the Group's performance provide all the benefits received and consumed simultaneously by the customers.

2.22 Employee benefits

(i) Pension obligations

Subsidiaries incorporated in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

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

The Group's contributions to MPF Scheme in Hong Kong and defined contribution retirement benefit plans in the PRC vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to MPF Scheme in Hong Kong and defined contribution retirement benefit plans in the PRC during the year ended 31 December 2022 and 2021 and there were no forfeited contributions available for the Group to reduce its contributions payable to MPF Scheme in Hong Kong and defined contribution retirement benefit plans in the PRC as at 31 December 2022 and 2021.

(ii) Employee leave entitlement

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(iii) Equity-settled, share-based compensation plan (Continued)

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

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

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

2.23 Borrowing costs

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

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

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of rentals of offices for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and

- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and interest. The interest is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Dividend distribution

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

2.26 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,

- by the weighted average number of ordinary shares outstanding during the financial year and excluding treasury shares and shares held under share award scheme.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

3.1 Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Management closely monitors foreign exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure.

For subsidiaries with Hong Kong dollar as functional currency, foreign exchange risk mainly arises from outstanding balances due from/to group companies denominated in RMB, and as at 31 December 2022, if RMB had strengthened/weakened by 1% against HK$, with all other variables held constant, the profit after tax and total comprehensive income for the year ended 31 December 2022 would have been approximately HK$11,619,000 (2021: HK$10,541,000) higher/lower as a result of lower/higher exchange losses.

(ii) Credit risk

(i) Risk Management

The credit risk of the Group mainly arises from bank deposits, trade and bills receivables, other receivables and receivables under services concession arrangements. Bank deposits are placed with reputable banks and financial institutions.

For trade and bills receivables, other receivables and receivables under services concession arrangements, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history and the major counterparties are primarily local government authorities in the PRC, directors are of the opinion that the risk of default by these counterparties is not significant.

The Group has concentration of credit risk. As at 31 December 2022, 36% (2021: 29%) of the total trade and bills receivables and receivables under services concession arrangements were due from the five largest customers.

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

(ii) Impairment of financial assets

The Group has the following financial assets that are subject to the ECL model:

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

While cash and cash equivalents, time deposits and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as bank deposits are placed with reputable banks and financial institutions.

Receivables under service concession arrangements and trade and bills receivables

For trade and bills receivables which are long overdue with significant balances, they are assessed individually for impairment allowance.

The Group also applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables under service concession arrangements (i.e. contract assets) and trade and bills receivables.

To measure the expected credit losses of receivables under service concession arrangements and trade and bills receivables, they have been grouped based on shared credit risk characteristics. The receivables under service concession arrangements relate to unbilled contract work and have the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the loss rates for receivables under service concession arrangements.

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

As at 31 December 2022, the expected credit loss rate and loss allowances for receivables under service concession arrangements is 0.76% and HK$26,778,000 (31 December 2021: 0.48% and HK$12,778,000), respectively, and for trade and bills receivables is 0.90% and HK$11,933,000 (31 December 2021: 0.56% and HK$5,933,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(ii) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Receivables under service concession arrangements and trade and bills receivables (Continued)

The movements of the loss allowances for receivables under service concession arrangements and trade and bills receivables are as follows:

	Receivables under service concession arrangements		Trade and bills receivables	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Opening loss allowances	**12,778**	—	**5,933**	—
Provision for impairment recognised in the consolidated statement of profit or loss	**14,000**	12,778	**6,000**	5,933
Closing loss allowances	**26,778**	12,778	**11,933**	5,933

Receivables under service concession arrangements and trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on receivables under service concession arrangements and trade and bills receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits. If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses. As at 31 December 2022, the impairment was assessed to be HK$26,956,000 in respect of other receivables (31 December 2021: HK$18,000,000).

The movements of the loss allowances for other receivables are as follows:

	2022 HK$'000	2021 HK$'000
Opening loss allowances	**18,000**	—
Provision for impairment recognised in the consolidated statement of profit or loss	**8,956**	18,000
Closing loss allowances	**26,956**	18,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK$248,178,000 (2021: HK$2,349,877,000), including net operating cash used in relation to the construction of WTE plants under BOT arrangements of approximately HK$2,455,009,000 (2021: HK$4,105,196,000). Excluding the operating cash outflow in relation to the construction of WTE plants under BOT arrangements, the Group generated operating cash of approximately HK$2,206,831,000 (2021: HK$1,755,319,000). 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 31 December 2022 and 2021. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contracted cash flows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022					
Bank borrowings (including interest)	**2,367,743**	**1,849,782**	**6,855,527**	**5,365,756**	**16,438,808**
Lease liabilities	**2,768**	**—**	**—**	**—**	**2,768**
Trade and other payables	**1,794,700**	**—**	**—**	**—**	**1,794,700**
	4,165,211	**1,849,782**	**6,855,527**	**5,365,756**	**18,236,276**
As at 31 December 2021					
Bank borrowings (including interest)	1,907,616	4,274,584	3,972,252	4,802,359	14,956,811
Lease liabilities	6,642	2,768	—	—	9,410
Trade and other payables	1,473,661	—	—	—	1,473,661
	3,387,919	4,277,352	3,972,252	4,802,359	16,439,882

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Market risk (Continued)

(iv) Interest rate risk

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

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

For the year ended 31 December 2022, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax and total comprehensive income would have been approximately HK$131,881,000 (2021: HK$121,998,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Capital risk management

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

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

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

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The net debt to total capital ratios at 31 December 2022 and 2021 were as follows:

	2022 HK$'000	2021 HK$'000
Bank borrowings (Note 27)	**13,582,329**	12,703,875
Less: cash and cash equivalents (Note 24)	**(1,809,883)**	(1,704,008)
Net debt	**11,772,446**	10,999,867
Total equity	**9,003,906**	8,885,935
Total capital	**20,776,352**	19,885,802
Net debt to total capital ratio	**57%**	55%

As at 31 December 2022, bank borrowings of HK$7,452,736,000 (2021: HK$6,871,082,000) are subject 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 and no non-compliance with these covenants was identified during the year ended 31 December 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS
(Continued)

3.3 Fair value

The management considered the carrying amounts of financial assets (including other receivables and deposits, trade and bills receivables, restricted deposits, time deposits and cash and cash equivalents) and liabilities (including bank borrowings, lease liabilities , trade and other payables) approximated their fair values as at 31 December 2022 and 2021. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

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

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

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

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

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

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

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

As at 31 December 2022 and 2021, the Group does not have any financial assets and liabilities which are measured at fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Service concession arrangements

The Group entered into BOT arrangements in respect of its WTE projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.21, revenue relating to construction services under such arrangement is recognised over time, by reference to the construction cost incurred as a percentage of the total estimated costs for each contract. Judgement is required in estimating the total construction cost and mark-up margin of the projects.

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

Impairment of financial assets

The Group has the following financial assets that are subject to the ECL model:

— trade and bills receivables

— receivables under service concession arrangements

— other financial assets carried at amortised cost

The Group makes provision for impairment of financial assets by grouping the financial assets with shared credit risk characteristics and assessed collectively for credit loss allowance, based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of financial assets requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of financial assets and loss for the impairment of financial assets recognised in the periods in which such estimates have been changed.

5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2022, the Executive Directors consider that the Group's operations are generally operated and managed as a single segment — WTE project construction and operation (2021: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2022 (2021: same).

An analysis of the Group's revenue, which is recognised over time, is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from power sales	**2,399,495**	2,119,197
Waste treatment fee	**1,087,176**	878,067
Revenue from project construction services	**4,360,980**	3,515,339
Finance income from service concession arrangements	**171,993**	114,819
Environmental hygiene and other services income	**227,001**	167,149
	8,246,645	6,794,571

For the year ended 31 December 2022, the Group had transactions with one (2021: three) customer which individually exceeded 10% of the Group's revenue. Revenue of approximately HK$889,240,000 was derived from the largest customer for the year ended 31 December 2022, while revenue of approximately HK$836,132,000, HK$714,135,000 and HK$689,705,000 were derived from the largest, the second largest and the third largest customer for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6 EXPENSES BY NATURE

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

	2022 HK$'000	2021 HK$'000
Maintenance cost	**226,962**	201,231
Environmental protection expenses	**407,870**	349,148
Research and development cost	**52,065**	54,345
Impairment of trade receivables	**6,000**	5,933
Impairment of receivables under service concession arrangements	**14,000**	12,778
Impairment of other receivables	**8,956**	18,000
Remuneration to the Company's auditor		
— Audit services	**3,000**	3,000
Remuneration to other auditors		
— Audit services	**927**	807
— Non-audit services	**63**	170
Employee benefit expenses (Note 9)	**615,353**	488,983
Depreciation and amortisation		
— Property, plant and equipment (Note 16)	**151,106**	144,758
— Intangible assets (Note 17)	**650,464**	488,075
— Right-of-use assets (Note 15)	**23,509**	12,739
Other lease expenses*	**12,597**	11,161
Donation	**8,842**	4,520
Construction cost recognised for project construction services (included in cost of sales)	**3,695,980**	3,052,412

* These expenses are related 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.

7 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Value-added tax refund (Note (i))	**124,118**	145,478
Revenue from non-hazardous waste handling	**28,097**	31,225
Sales of bottom ash and scrap materials	**35,827**	23,052
Government subsidies (Note (ii))	**4,117**	9,795
Amortisation of deferred government grants (Note (iii))	**12,552**	9,160
Others	**11,164**	19,099
	215,875	237,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 OTHER INCOME (Continued)

Notes:

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

(ii) Government subsidies for the year ended 31 December 2022 mainly represent cash subsidies in respect of the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administrative Region Government and subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilising employment (2021: the amount mainly represents subsidies received from certain PRC government authorities as financial support to the growth of enterprises and stabilising employment). There were no unfulfilled conditions or other contingencies attached to the entitlements of such government subsidies. There is no assurance the Group will continue to enjoy such government subsidies in the future.

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

8 OTHER (LOSSES)/GAINS, NET

	2022 HK$'000	2021 HK$'000
Gain on disposal of a subsidiary	**—**	1,846
Loss on disposals of property, plant and equipment (Note 33(b))	**(9)**	(11)
Exchange (losses)/gains, net	**(108,154)**	30,549
	(108,163)	32,384

9 EMPLOYEE BENEFIT EXPENSES

	2022 HK$'000	2021 HK$'000
Wages and salaries	**498,648**	399,811
Pension costs — defined contribution plans	**33,573**	25,703
Welfare and other expenses	**83,132**	63,469
Total	**615,353**	488,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors' emoluments

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2022					
Executive directors:					
Ms. Lee Wing Yee Loretta	**—**	**2,192**	**1,012**	**18**	**3,222**
Mr. Lai Kin Man	**—**	**612**	**—**	**18**	**630**
Mr. Yuan Guozhen (Chief Executive Officer)	**—**	**1,696**	**849**	**88**	**2,633**
Mr. Lai Chun Tung	**—**	**3,495**	**2,056**	**87**	**5,638**
Non-executive directors:					
Mr. Feng Jun	**—**	**—**	**—**	**—**	**—**
Mr. Lui Ting Cheong Alexander	**180**	**—**	**—**	**—**	**180**
Independent non-executive directors:					
Professor Sha Zhenquan	**180**	**—**	**—**	**—**	**180**
Mr. Chan Kam Kwan Jason	**240**	**—**	**—**	**—**	**240**
Mr. Chung Wing Yin	**180**	**—**	**—**	**—**	**180**
Mr. Chung Kwok Nam	**180**	**—**	**—**	**—**	**180**
	960	**7,995**	**3,917**	**211**	**13,083**
Year ended 31 December 2021					
Executive directors:					
Ms. Lee Wing Yee Loretta	—	2,163	674	18	2,855
Mr. Lai Kin Man	—	612	—	18	630
Mr. Yuan Guozhen (Chief Executive Officer)	—	1,682	1,129	62	2,873
Mr. Lai Chun Tung	—	3,497	2,025	37	5,559
Non-executive directors:					
Mr. Feng Jun	—	—	—	—	—
Mr. Lui Ting Cheong Alexander	180	—	—	—	180
Independent non-executive directors:					
Professor Sha Zhenquan	180	—	—	—	180
Mr. Chan Kam Kwan Jason	240	—	—	—	240
Mr. Chung Wing Yin	180	—	—	—	180
Mr. Chung Kwok Nam	180	—	—	—	180
	960	7,954	3,828	135	12,877

The remuneration shown above represents remuneration received or receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2022 (2021: same).

10 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2022, except for employer's contribution to pension scheme as disclosed above (2021: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2022 (2021: Nil).

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

During the year ended 31 December 2022, the Company did not pay consideration to any third parties for making available directors' services (2021: Nil).

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

During the year ended 31 December 2022, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2021: Nil).

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

Save for the related party transaction disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly, subsisted as at 31 December 2022 or at any time during the year ended 31 December 2022 (2021: same).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2022 (2021: 3), and such emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2022 (2021: 2) are as follows:

	2022 HK$'000	2021 HK$'000
Wages and salaries	**3,631**	3,548
Discretionary bonus	**1,492**	1,737
Pension costs — defined contribution plans	**18**	18
Welfare and other expenses	**779**	812
Total	**5,920**	6,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(g) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	2022	2021
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**—**	—
HK$3,000,001 – HK$3,500,000	**—**	—
HK$3,500,001 – HK$4,000,000	**1**	1

During the year ended 31 December 2022, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2021: same).

11 INTEREST INCOME AND EXPENSE

	2022 HK$'000	2021 HK$'000
Interest expense on bank borrowings	**(627,992)**	(491,742)
Interest expense on lease liabilities	**(150)**	(156)
Less: amount capitalised on qualifying assets	**13,858**	68,436
	(614,284)	(423,462)
Interest income from bank deposits	**13,924**	7,902
Interest income from an associate (Note 18)	**576**	3,952
Interest expense, net	**(599,784)**	(411,608)

Interest expense on bank borrowings was capitalised at the weighted average rate of general borrowings of approximately 4% (2021: 4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12 INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current income tax		
Hong Kong profits tax	**(511)**	1,781
PRC enterprise income tax	**128,976**	121,698
Total current income tax	**128,465**	123,479
Deferred income tax (Note 19)	**158,945**	104,764
Income tax expense	**287,410**	228,243

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits of this subsidiary are taxed at 16.5% (2021: same).

Subsidiaries incorporated in the PRC are subject to a tax rate of 25% for the year ended 31 December 2022 and 2021 on the assessable profits arising in or derived from the PRC except certain subsidiaries have obtained an approval for enterprise income tax ("EIT") incentive that the project would be fully exempted from the PRC enterprise income tax for three years starting from the tax year in which the project recorded its operating revenue for the first time, followed by a 50% tax reduction for the ensuing three years.

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

Besides, certain PRC subsidiaries were approved as High and New Technology Enterprise and subject to a preferential EIT rate of 15% (2021: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12 INCOME TAX EXPENSE (Continued)

	Applicable tax rate	
Subsidiaries	**2022**	2021
Dongguan China Scivest Environmental Power Company Limited		
— phase 1 of its project	**15%**	15%
— phase 2 of its project	**12.5%**	12.5%
Dongguan Eco-Tech Environmental Power Company Limited		
— phase 1 of its project	**15%**	15%
— phase 2 of its project	**12.5%**	12.5%
Zhanjiang Canvest Environmental Power Company Limited	**25%**	12.5%
Qianxinan Canvest Environmental Power Company Limited		
— phase 1 of its project	**15%**	15%
— phase 2 of its project	**7.5%**	7.5%
Laibin Canvest Environmental Power Company Limited	**7.5%**	7.5%
Zhongshan City Guangye Longcheng Environmental Company Limited		
— phase 1 of its project	**12.5%**	12.5%
— phase 2 of its project	**0%**	25%
Beiliu Canvest Environmental Power Company Limited	**7.5%**	7.5%
Lufeng Canvest Environmental Power Company Limited	**12.5%**	12.5%
Xinfeng Canvest Environmental Power Company Limited	**12.5%**	0%
Xinyi Canvest Environmental Power Company Limited	**0%**	0%
Maoming Canvest Environmental Power Company Limited	**0%**	0%
Zaozhuang Zhongke Environmental Energy Company Limited	**0%**	0%
Zaozhuang Canvest Environmental Company Limited	**0%**	0%
Shaoguan Canvest Environmental Power Company Limited	**0%**	0%
Xuwen Canvest Environmental Power Company Limited	**0%**	0%
Dehong Canvest Environmental Power Company Limited	**0%**	0%
Yingkou Canvest Power Environmental Company Limited	**0%**	0%
Baoding Canvest Kewei Environmental Power Company Limited	**0%**	0%
Qingyuan City Zhongtian New Energy Company Limited	**0%**	0%
Linfen Canvest Environmental Power Company Limited	**0%**	25%
Xiangyun Shengyun Environmental Energy Company Limited	**0%**	25%
Qiandongnanzhou Liping Canvest Environmental Power Company Limited	**0%**	25%
Jingjiang Canvest Environmental Power Company Limited	**0%**	25%

12 INCOME TAX EXPENSE (Continued)

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

	2022 HK$'000	2021 HK$'000
Profit before income tax	**1,646,873**	1,547,410
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**429,255**	400,083
Tax effect of:		
Income not taxable for tax purpose	**(45,569)**	(31,232)
Expenses not deductible for tax purpose	**97,554**	35,727
Preferential tax concession	**(193,074)**	(176,335)
Over-provision of current income tax in prior year	**(756)**	—
Income tax expense	**287,410**	228,243

The effective tax rate was 17.5% for the year ended 31 December 2022 (2021: 14.8%).

13 EARNINGS PER SHARE

(a) Basic

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

	2022	2021
Profit attributable to equity holders of the Company (HK$'000)	**1,332,805**	1,321,995
Weighted average number of ordinary shares in issue (thousand shares)	**2,429,441**	2,429,441
Basic earnings per share (HK cents)	**54.9**	54.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13 EARNINGS PER SHARE (Continued)

(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 (2021: 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 years ended 31 December 2022 and 2021 are the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have no dilutive effect on the basic earnings per share.

14 SUBSIDIARIES

(a) Principal subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below:

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Directly owned:				
Yi Feng Development Limited 億豐發展有限公司	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Canvest Technology Company Limited (formerly known as "Canvest Environmental (Overseas) Company Limited") 粵豐科技有限公司 (formerly known as "粵豐環保(海外)有限公司")	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Smart City Services Company Limited 粵豐智慧城市服務有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Indirectly owned:				
Anabell Hong Kong Limited 安貝爾香港有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Anhui Xinlibo Car Park Management Services Company Limited 安徽信立泊停車場管理服務有限公司*#	The PRC, limited liability company	RMB50,000,000/ RMB154,000	70%	Management and operations of smart car parking business/the PRC
Baise Canvest Environmental Power Company Limited 百色粵豐環保電力有限公司*#	The PRC, limited liability company	RMB100,360,000/ RMB19,871,280	99%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Baoding Canvest Jiajieyuan City Services Company Limited 保定粵豐佳潔園城市服務有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB560,000	100%	Provision of cleaning and waste management services/the PRC
Baoding Canvest Kewei Environmental Power Company Limited 保定粵豐科維環保電力有限公司*^	The PRC, limited liability company	RMB205,900,000/ RMB170,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Baoding Canvest SciWin Intelligent Cloud Technology Company Limited 保定粵豐科盈智慧雲科技有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB Nil	100%	Management and operations of smart car parking business/the PRC
Baoding Yi County Canvest Environmental Power Company Limited ("Baoding Yi County Canvest") 保定易縣粵豐環保電力有限公司*#	The PRC, limited liability company	RMB181,000,000/ RMB90,102,680 (note (a))	79.8%	Provision of MSW handling services and operation and management of WTE plant/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Beiliu Canvest Environmental Power Company Limited 北流粵豐環保電力有限公司*^	The PRC, limited liability company	RMB176,750,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Boye Canvest SciWin Intelligent Car Park Services Company Limited 博野粵豐科盈智慧停車服務有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB Nil	100%	Management and operations of smart car parking business/the PRC
Canvest Environmental (China) Company Limited 粵豐環保(中國)有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Canvest Environmental Investment Company Limited 粵豐環境投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest City Management Technology Company Limited 粵豐城市管理科技有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of human resources and administrative services/Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Canvest Kewei Enterprise Management (Guangdong) Company Limited 粵豐科維企業管理(廣東)有限公司*^	The PRC, limited liability company	RMB100,000	100%	Provision of WTE plant management services/ the PRC
Canvest Kewei Environmental Investment (Guangdong) Company Limited ("Kewei") 粵豐科維環保投資(廣東)有限公司*^	The PRC, limited liability company	RMB1,420,000,000	100%	Provision of MSW handling services and operation and management of WTE plant and investment holding/ the PRC
Canvest Sciwin (Chengdu) Technology Company Limited 粵豐科盈(成都)科技有限公司*#	The PRC, limited liability company	RMB10,000,000/ RMB2,250,000	70%	Management and operations of smart car parking business/the PRC
Canvest SciWin Intelligent Investment (Guangdong) Company Limited 粵豐科盈智能投資(廣東)有限公司*^	The PRC, limited liability company	RMB210,000,000/ RMB95,000,000	100%	Management and operations of smart car parking business and investment holding/the PRC
Canvest Yuezhan Environmental Investment (Guangdong) Company Limited 粵豐粵展環保投資(廣東)有限公司*^	The PRC, limited liability company	RMB250,000,000	100%	Investment holding/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Canvest Yuezhan Environmental Management (Guangdong) Company Limited 粵豐粵展環境管理(廣東)有限公司*^	The PRC, limited liability company	RMB150,000,000/ RMB134,466,000	100%	Provision of transportation services and investment holding/the PRC
Canvest Yuezhan Intelligent Environmental Services (Guangdong) Company Limited 粵豐粵展智慧環衛服務(廣東)有限公司*^	The PRC, limited liability company	RMB100,000,000/ RMB56,000,000	100%	Provision of management services and investment holding/the PRC
Canvest Yuezhan Solid Waste Treatment Technology (Guangdong) Company Limited 粵豐粵展固體廢物處理科技(廣東)有限公司*^	The PRC, limited liability company	RMB100,000,000/ RMB24,320,000	100%	Provision of transportation and waste processing services and investment holding/the PRC
Chengdu Xinjin Canvest Jiajieyuan Environmental Technology Company Limited 成都新津粵豐佳潔園環保科技有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB600,000	100%	Provision of cleaning and waste management services/the PRC
China Green Power Holdings Limited 中國綠色能源控股有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Chongqing Aopu City Operation and Management Company Limited 重慶奧普城市運營管理有限公司*△	The PRC, limited liability company	RMB10,000,000/ RMB Nil	35.7% (note (e))	Management and operations of smart car parking business/the PRC
Chongqing Bolianwang Intelligent City Technology Company Limited 重慶泊聯網智慧城市科技有限公司*△	The PRC, limited liability company	RMB50,000,000/ RMB5,020,600	51%	Management and operations of smart car parking business and investment holding/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Chongqing City Banan District Bolianwang Intelligent Car Park Services Company Limited 重慶市巴南區泊聯網智慧停車服務有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB Nil	36.72% (note (e))	Management and operations of smart car parking business/the PRC
Chongqing City Hi-Tech Industrial Development District Bolianwang Car Park Services Company Limited 重慶高新技術產業開發區泊聯網停車服務有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB Nil	51%	Management and operations of smart car parking business/the PRC
Chongqing City Jiulongpo District Bolianwang Car Park Services Company Limited 重慶市九龍坡區泊聯網停車服務有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB Nil	46.92% (note (e))	Management and operations of smart car parking business/the PRC
Daguang Technology Information (Zhangjiakou Yu County) Company Limited 大廣科技信息(張家口蔚縣)有限公司*△	The PRC, limited liability company	RMB10,000,000/ RMB Nil	70%	Management and operations of smart car parking business/the PRC
Dehong Canvest Environmental Power Company Limited 德宏粵豐環保電力有限公司*#	The PRC, limited liability company	RMB126,800,000/ RMB122,120,000	90%	Provision of MSW handling services and operation and management of WTE plant/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Dongguan Canvest SciWin Smart City Company Limited 東莞粵豐科盈智慧城市有限公司*#	The PRC, limited liability company	RMB100,000/ RMB Nil	100%	Management and operations of smart car parking business/the PRC
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司*#	The PRC, limited liability company	RMB330,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Dongguan Green City Services Company Limited (formerly known as "Dongguan Canvest Sciwin City Management Company Limited") 東莞市綠色風源城市服務有限公司*△ (formerly known as "東莞市粵豐科盈城市服務有限公司")	The PRC, limited liability company	RMB150,000,000/ RMB46,250,000	100%	Management and operations of smart car parking business/the PRC
Dongguan Kaixiang Network Technology Company Limited ("Kaixiang Network") 東莞市凱翔網絡科技有限公司*^	The PRC, limited liability company	RMB2,000,000	100%	Management and operations of smart car parking business/the PRC
Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") 東莞市科偉環保電力有限公司*^	The PRC, limited liability company	RMB400,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Fine Way Investments Limited 佳威投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Guangxi Tianzehuitong Technology Company Limited 廣西天澤滙通科技有限公司*△	The PRC, limited liability company	RMB3,000,000	60%	Management and operations of smart car parking business/the PRC

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For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Huidong Canvest Enterprise Management Company Limited 惠東粵豐企業管理有限公司*^	The PRC, limited liability company	RMB150,000,000/ RMB10,000	100%	Provision of WTE plant management services/ the PRC
Huaihua City Hongjiang District Bolianwang Intelligent Car Park Management Company Limited 懷化市洪江區泊聯網智慧停車管理有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB Nil	38.25% (note (e))	Management and operations of smart car parking business/the PRC
Huizhou Huidong Canvest Environmental Power Company Limited 惠州惠東粵豐環保電力有限公司*#	The PRC, limited liability company	RMB285,790,000/ RMB7,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Huizhou Zhongkai Canvest Environmental Power Company Limited ("Huizhou Zhongkai Canvest") 惠州仲愷粵豐環保電力有限公司*#	The PRC, limited liability company	RMB210,069,370/ RMB130,000,000	51%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Jingjiang Canvest Environmental Power Company Limited ("Jingjiang Canvest") 靖江粵豐環保電力有限公司*#	The PRC, limited liability company	RMB169,880,000/ RMB152,787,100 (note (b))	80%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
KK VII (BVI) Limited	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
KK VIII (BVI) Limited	BVI, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Laibin Canvest Environmental Power Company Limited 來賓粵豐環保電力有限公司*^	The PRC, limited liability company	RMB261,500,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Laibin Canvest Jiajieyuan City Environmental Services Company Limited 來賓粵豐佳潔園城市環境服務有限公司*Δ	The PRC, limited liability company	RMB1,000,000	100%	Provision of cleaning and waste management services/the PRC
Laishui Canvest Yuezhan City Services Company Limited 淶水粵豐粵展城市服務有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB10,000,000	100%	Provision of cleaning and waste management services/the PRC
Linfen Canvest Environmental Power Company Limited 臨汾粵豐環保電力有限公司*#	The PRC, limited liability company	RMB194,321,800	98%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Lufeng Canvest Environmental Power Company Limited 陸豐粵豐環保電力有限公司*^	The PRC, limited liability company	RMB188,160,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Linqing City Bolianwang Car Park Management Company Limited 臨清市泊聯網停車管理有限公司*Δ	The PRC, limited liability company	RMB1,000,000/ RMB Nil	51%	Management and operations of smart car parking business/the PRC

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For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Maoming Canvest Environmental Power Company Limited 茂名粵豐環保電力有限公司*#	The PRC, limited liability company	RMB352,970,000/ RMB281,472,060	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qiandongnanzhou Liping Canvest Environmental Power Company Limited 黔東南州黎平粵豐環保電力有限公司*^	The PRC, limited liability company	RMB109,760,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qianxinan Canvest Environmental Power Company Limited 黔西南粵豐環保電力有限公司*^	The PRC, limited liability company	RMB196,600,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司*^	The PRC, limited liability company	RMB350,750,000/ RMB314,400,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Quyang Canvest City Services Company Limited 曲陽粵豐城市服務有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB10,000,000	100%	Provision of cleaning and waste management services/the PRC
Quyang Kewei Canvest Environmental Power Company Limited 曲陽科維粵豐環保電力有限公司*^	The PRC, limited liability company	RMB154,870,000/ RMB100,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Shanghai Canvest Environmental Company Limited 上海粵豐環境有限公司*^	The PRC, limited liability company	RMB15,000,000/ RMB3,500,000	100%	Provision of WTE plant management services/ the PRC
Shaoguan Canvest Environmental Power Company Limited ("Shaoguan Canvest") 韶關粵豐環保電力有限公司*#	The PRC, limited liability company	RMB126,610,000	99.4%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Sichuan Jiajieyuan Environmental Technology Company Limited ("Sichuan Jiajieyuan") 四川佳潔園環保科技有限公司*△	The PRC, limited liability company	RMB32,000,000	100%	Provision of cleaning and waste management services and investment holding/the PRC
Taizhou Canvest Environmental Power Company Limited ("Taizhou Canvest") 泰州粵豐環保電力有限公司*#	The PRC, limited liability company	RMB210,573,000 (note (c))	64.9%	Provision of MSW handling services and operation and management of WTE plant/the PRC
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Xiangyun Shengyun Environmental Energy Company Limited 祥雲盛運環保電力有限公司*^	The PRC, limited liability company	RMB134,000,000/ RMB120,642,200	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Xinfeng Canvest Environmental Power Company Limited 信豐粵豐環保電力有限公司*^	The PRC, limited liability company	RMB115,100,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinyi Canvest Environmental Power Company Limited 信宜粵豐環保電力有限公司*#	The PRC, limited liability company	RMB169,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Xinyi Canvest Jiajieyuan City Services Company Limited 信宜粵豐佳潔園城市服務有限公司*△	The PRC, limited liability company	RMB12,000,000	100%	Provision of cleaning and waste management services/the PRC
Xuwen Canvest Environmental Power Company Limited 徐聞粵豐環保電力有限公司*^	The PRC, limited liability company	RMB117,380,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Yingshan Bolianwang Intelligent Car Park Services Company Limited ("Yingshan Bolianwang") 英山泊聯網智慧停車場服務有限公司*△	The PRC, limited liability company	RMB2,380,000/ RMB600,000 (note (d))	28.05% (note (e))	Management and operations of smart car parking business/the PRC
Yibin Canvest Jiajieyuan Environmental Technology Company Limited 宜賓粵豐佳潔園環保科技有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB200,000	100%	Provision of cleaning and waste management services/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Yingkou Canvest Power Environmental Company Limited 營口粵豐電力環保有限公司*#	The PRC, limited liability company	RMB225,350,000/ RMB175,225,350	99.8%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Yi County Canvest Intelligent City Services Company Limited 易縣粵豐智慧城市服務有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB Nil	100%	Provision of cleaning and waste management services/the PRC
Yu County Boyan Intelligent Car Park Services Company Limited 蔚縣泊炎智慧停車服務有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB500,000	33.15% (note (e))	Management and operations of smart car parking business/the PRC
Zhijiang Bolianwang Intelligent Car Park Management Company Limited 芷江泊聯網智慧停車管理有限公司*△	The PRC, limited liability company	RMB1,000,000/ RMB Nil	51%	Management and operations of smart car parking business/the PRC
Zaozhuang Canvest Environmental Company Limited 棗莊粵豐環保有限公司*^	The PRC, limited liability company	RMB50,000,000/ RMB20,289,608	100%	Provision of MSW handling services and operation and management of landfill/ the PRC
Zaozhuang Zhongke Environmental Energy Company Limited ("Zaozhuang Zhongke") 棗莊中科環保電力有限公司*#	The PRC, limited liability company	RMB507,452,000/ RMB364,633,630	80.56%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhanjiang Canvest Environmental Power Company Limited 湛江市粵豐環保電力有限公司*#	The PRC, limited liability company	RMB194,000,000	100%	Provision of MSW handling services and operation and management of WTE plant/the PRC
Zhongshan City Guangye Longcheng Environmental Company Limited 中山市廣業龍澄環保有限公司*^	The PRC, limited liability company	RMB418,590,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 SUBSIDIARIES (Continued)

(a) Principal subsidiaries (Continued)

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out below: (Continued)

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

^ Registered under the laws of the PRC as wholly-owned foreign investment enterprises.

\# Registered under the laws of the PRC as sino-foreign co-operation joint ventures.

△ Registered under the laws of the PRC as private companies with limited liability.

Contribution from non-controlling interests

Note (a): For the year ended 31 December 2022, the non-controlling interests in Baoding Yi County Canvest contributed RMB113,000 (equivalent to HK$135,000) (2021: RMB2,010,000 (equivalent to HK$2,418,000)) in aggregate to Baoding Yi County Canvest.

Note (b): For the year ended 31 December 2022, the non-controlling interests in Jingjiang Canvest contributed RMB10,557,000 (equivalent to HK$12,902,000) (2021: nil) in aggregate to Jingjiang Canvest.

Note (c): For the year ended 31 December 2022, the non-controlling interests in Taizhou Canvest contributed RMB30,710,000 (equivalent to HK$36,413,000) (2021: RMB15,471,000 (equivalent to HK$18,826,000)) in aggregate to Taizhou Canvest.

Note (d): For the year ended 31 December 2022, the non-controlling interests in Yingshan Bolianwang contributed RMB600,000 (equivalent to HK$680,000) (2021: nil) in aggregate to Yingshan Bolianwang.

Note (e): A subsidiary of an indirect non-wholly owned subsidiary of the Company and accordingly is accounted for as a subsidiary by virtue of the Company's control over it despite the percentage of equity interest attributable to the Company below 50%.

(b) Acquisition of non-controlling interest in Zaozhuang Zhongke

On 23 February 2022, the Group acquired 29.56% equity interests of Zaozhuang Zhongke by public auction with a total consideration of RMB15,379,000 (equivalent to HK$18,962,000). Upon the completion of acquisition, the Group’s equity interest in Zaozhunag Zhongke increased to 80.56%, and the Group recognised a decrease in non-controlling interest of HK$126,965,000 and an increase in equity attributable to equity holders of the Company of HK$108,003,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15 RIGHT-OF-USE ASSETS

	Leasehold land held for own use HK$'000	Office premises lease for own use HK$'000	Total HK$'000
Year ended 31 December 2021			
Opening net book amount	162,591	2,772	165,363
Addition	227,608	12,714	240,322
Amortisation (Note 6)	(6,258)	(6,481)	(12,739)
Currency translation differences	4,743	—	4,743
As at 31 December 2021	388,684	9,005	397,689
Year ended 31 December 2022			
Opening net book amount	**388,684**	**9,005**	**397,689**
Addition	**122,838**	**—**	**122,838**
Amortisation (Note 6)	**(17,152)**	**(6,357)**	**(23,509)**
Currency translation differences	**(21,281)**	**—**	**(21,281)**
As at 31 December 2022	**473,089**	**2,648**	**475,737**

The Group holds several leasehold land for own use as offices and for operations. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

The Group's leasehold land held for own use included prepaid lease payments which are analysed as follows:

	2022 HK$'000	2021 HK$'000
Leasehold land in Hong Kong	**214,677**	223,440
Land use rights in the PRC	**175,741**	72,323

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

Amortisation expense for leasehold land held for own use of HK$4,859,000 (2021: HK$4,798,000) and HK$12,293,000 (2021: HK$1,460,000) were charged to "cost of sales" and "general and administrative expenses", respectively, while amortisation expense for office premises lease for own use of HK$6,357,000 (2021: HK$6,481,000) charged to "general and administrative expenses" in the consolidated statement of profit or loss.

As at 31 December 2022, certain of the Group's borrowings were secured by certain right-of-use assets of the Group with an aggregate net book value of HK$326,391,000 (2021: nil) (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	Total HK$'000
Year ended 31 December 2021					
Opening net book amount	611,786	652,517	30,416	18,623	1,313,342
Additions	26,263	35,376	47,536	16,585	125,760
Acquisition of subsidiaries	—	1,011	83	161	1,255
Disposals (Note 33(b))	—	(33)	(392)	(927)	(1,352)
Disposal of a subsidiary	—	—	—	(28)	(28)
Depreciation (Note 6)	(41,366)	(78,680)	(16,808)	(7,904)	(144,758)
Currency translation differences	17,074	17,905	1,219	1,266	37,464
Closing net book amount	613,757	628,096	62,054	27,776	1,331,683
As at 31 December 2021					
Cost	888,840	1,164,741	103,841	63,758	2,221,180
Accumulated depreciation	(275,083)	(536,645)	(41,787)	(35,982)	(889,497)
Net book amount	613,757	628,096	62,054	27,776	1,331,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	Total HK$'000
Year ended 31 December 2022					
Opening net book amount	613,757	628,096	62,054	27,776	1,331,683
Additions	4,012	45,562	24,725	11,666	85,965
Disposals (Note 33(b))	—	(9)	(49)	(14)	(72)
Depreciation (Note 6)	(40,756)	(82,921)	(18,158)	(9,271)	(151,106)
Currency translation differences	(47,741)	(50,822)	(6,438)	(2,518)	(107,519)
Closing net book amount	529,272	539,906	62,134	27,639	1,158,951
As at 31 December 2022					
Cost	820,716	1,107,130	118,398	69,554	2,115,798
Accumulated depreciation	(291,444)	(567,224)	(56,264)	(41,915)	(956,847)
Net book amount	529,272	539,906	62,134	27,639	1,158,951

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

	2022 HK$'000	2021 HK$'000
Cost of sales	131,488	125,553
General and administrative expenses	19,618	19,205
	151,106	144,758

As at 31 December 2022, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK$247,226,000 (2021: HK$256,978,000) (Note 27).

On 30 June 2021, the Group entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital and shareholder's loan of two companies ("Target Companies") at a total consideration of HK$250,000,000 with adjustments. The Target Companies are investment holding companies, which hold two commercial properties, a rooftop and two carpark spaces in Hong Kong. This transaction was completed on 29 October 2021 and accounted for as asset acquisition since substantially all of the fair value of the gross assets acquired in acquisition was primarily concentrated in the land and building. Accordingly, the land component of HK$224,900,000 is recognised as addition of right-of-use assets (Note 15) and the building portion of HK$25,896,000 is recognised as addition of property, plant and equipment for the year ended 31 December 2021.

17 INTANGIBLE ASSETS

	Goodwill HK$'000	Concession rights HK$'000	Contract backlog HK$'000	Brand name HK$'000	Capitalised development costs HK$'000	Total HK$'000
Year ended 31 December 2021						
Opening net book amount	218,539	10,263,681	554	15,653	—	10,498,427
Additions from BOT arrangement	—	2,915,840	—	—	—	2,915,840
Addition through internal development	—	—	—	—	1,063	1,063
Acquisition of subsidiaries	8,869	36,168	—	—	—	45,037
Amortisation (Note 6)	—	(486,292)	(562)	(1,221)	—	(488,075)
Currency translation differences	6,450	338,034	8	440	17	344,949
Closing net book amount	233,858	13,067,431	—	14,872	1,080	13,317,241
As at 31 December 2021						
Cost	233,858	14,550,615	11,986	18,591	1,080	14,816,130
Accumulated amortisation	—	(1,483,184)	(11,986)	(3,719)	—	(1,498,889)
Net book amount	233,858	13,067,431	—	14,872	1,080	13,317,241
Year ended 31 December 2022						
Opening net book amount	**233,858**	**13,067,431**	**—**	**14,872**	**1,080**	**13,317,241**
Additions from BOT arrangement	**—**	**3,180,274**	**—**	**—**	**—**	**3,180,274**
Addition through internal development	**—**	**—**	**—**	**—**	**8,657**	**8,657**
Amortisation (Note 6)	**—**	**(649,073)**	**—**	**(1,212)**	**(179)**	**(650,464)**
Currency translation differences	**(19,808)**	**(1,264,418)**	**—**	**(1,184)**	**(631)**	**(1,286,041)**
Closing net book amount	**214,050**	**14,334,214**	**—**	**12,476**	**8,927**	**14,569,667**
As at 31 December 2022						
Cost	**214,050**	**16,294,918**	**10,971**	**17,015**	**9,094**	**16,546,048**
Accumulated amortisation	**—**	**(1,960,704)**	**(10,971)**	**(4,539)**	**(167)**	**(1,976,381)**
Net book amount	**214,050**	**14,334,214**	**—**	**12,476**	**8,927**	**14,569,667**

Goodwill is mainly attributable to the acquisitions of Eco-Tech, Sichuan Jiajieyuan and Kaixiang Network in 2011, 2018 and 2021, respectively. The carrying amount of goodwill allocated to the Group's CGUs is as follows:

	2022 HK$'000	2021 HK$'000
Eco-Tech	**159,213**	173,947
Sichuan Jiajieyuan	**46,690**	51,010
Kaixiang Network	**8,147**	8,901
	214,050	233,858

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For the year ended 31 December 2022

17 INTANGIBLE ASSETS (Continued)

For the purposes of impairment reviews, the recoverable amount of CGUs is determined based on the value-in-use calculations which require the use of assumptions. The calculation uses pre-tax cash flow projections based on financial budgets approved by management using the estimated growth rate of 3% (2021: 3%) on waste treatment fee for Eco-Tech, 5.7% (2021: 5.7%) on environmental hygiene service income for Sichuan Jiajieyuan and 6.7% (2021: 5.4%) on service income for Kaixiang Network covering a 5-year period. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account the estimated terminal growth rate of 3% (2021: 3%) on both waste treatment fee for Eco-Tech and environmental hygiene service income for Sichuan Jiajieyuan and 3% (2021: 2%) for service income for Kaixiang Network, and expected remaining useful lives of the relevant underlying operating assets. The assumptions used for budgeted revenue and gross profit margin are supported by historical data of existing projects. The operating cash inflows generated from Eco-Tech and Sichuan Jiajieyuan are mainly due from local government authorities in the PRC with no recent history of default while the services provided by Kaixiang Network are mainly cash transactions, and accordingly the management considers the credit risk of cash flows from such projects to be insignificant.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. The pre-tax discount rate used is 10.8% (2021: 9.5%) for Eco-Tech, 18.9% (2021: 18.9%) for Sichuan Jiajieyuan and 17.2% (2021: 17.0%) for Kaixiang Network for the year ended 31 December 2022. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGUs. Based on the impairment review, no impairment is considered necessary as at 31 December 2022 and 2021. There are no reasonably possible change in the key assumptions which would cause the carrying amount to exceed the recoverable amount for goodwill attributable to the acquisition of Eco-Tech, Sichuan Jiajieyuan and Kaixiang Network.

Concession rights are mainly attributable to the acquisition of certain subsidiaries with BOT arrangements and allocation from the BOT arrangement of certain WTE plants of the Group. Amortisation expenses were charged to "cost of sales" in the consolidated statement of profit or loss. The remaining amortisation period of those concession rights ranged from 8 to 30 years.

As at 31 December 2022, the net books value of concession rights of projects that had not commenced operation amounted to HK$10,287,000 (2021: HK$12,133,000).

Contract backlog and brand name were mainly attributable to the acquisition of Sichuan Jiajieyuan on 28 December 2018. The remaining amortisation period of brand name was 11 years (2021: 12 years).

The Group is researching and developing green technology and smart car parking system. For the year ended 31 December 2022, the Group incurred research and development cost of HK$52,065,000 (2021: HK$54,345,000) that are not eligible for capitalisation and were charged to "general and administrative expenses" in the consolidated statement of profit or loss.

As at 31 December 2022, certain of the Group's borrowings were secured by the BOT arrangements entered by certain WTE plants of the Group with the local governments with aggregate carrying amount of HK$13,088,278,000 (2021: HK$12,636,700,000) (Note 27).

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18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest 2022 %	% of ownership interest 2021 %	Measurement method	Carrying amount 2022 HK$'000	Carrying amount 2021 HK$'000
Associates:						
Dongguan Xindongyuan Environmental Investment Company Limited ("Dongguan Xindongyuan") (note (a)) 東莞市新東元環保投資有限公司*#	The PRC	**49%**	49%	Equity method	**304,298**	245,336
Dongguan Xindongyue Environmental Company Limited ("Dongguan Xindongyue") (note (b)) 東莞市新東粵環保實業有限公司*△	The PRC	**35%**	35%	Equity method	**186,736**	209,599
Hong Kong Johnson Holdings Co., Ltd. ("Johnson") (note (c)) 香港莊臣控股有限公司	Hong Kong/ Cayman Islands	**30.75%**	30.75%	Equity method	**272,999**	247,667
Huizhou City Zhongzhou Environmental Resources Company Limited ("Zhongzhou Environmental") (note (d)) 惠州市中洲環保資源有限公司*#	The PRC	**40%**	40%	Equity method	**179,271**	185,582
Shen County Nanyi New Energy Power Company Limited (formerly known as "Shen County Shanghai Industrial Environmental Energy Company Limited") ("Shen County Nanyi") (note (e)) 莘縣南一新能源發電有限公司*# (formerly known as "莘縣上實環保能源有限公司")	The PRC	**20%**	20%	Equity method	**—**	1,284
SIIC Xangtze Delta Environmental Resources (Hong Kong) Limited ("SIIC Xangtze Delta") (note (f)) 上海實業環境長三角環保資源(香港)有限公司	Hong Kong	**30%**	30%	Equity method	**181,617**	144,510
Canvest Guoye Environmental Investment (Guangdong) Company Limited (note (g)) ("Canvest Guoye") 粵豐國業環保投資(廣東)有限公司*△	The PRC	**25.5%**	25.5%	Equity method	**18,191**	20,839
Sichuan SIIC Ecological Environmental Co., Ltd. (formerly known as "Sichuan SIIC Environmental Investment Development Co., Ltd.") ("Sichuan SIIC") (note (h)) 四川上實生態環境有限責任公司*# (formerly known as "四川上實環境投資發展有限公司")*	The PRC	**30%**	30%	Equity method	**51,661**	15,595
Joint ventures:						
Jianyang Canvest Environmental Power Company Limited ("Jianyang Canvest") (note (i)) 簡陽粵豐環保發電有限公司*△	The PRC	**50%**	50%	Equity method	**265,487**	260,525
Hengyang Canvest Environmental Construction Power Company Limited ("Hengyang Canvest") (note (j)) 衡陽粵豐環建電力有限公司*#	The PRC	**55%**	55%	Equity method	**—**	28,196
Dongguan Hongyuezhilian Technology Company Limited ("Dongguan Hongyuezhilian")*△ (note (k)) 東莞市宏粵智聯科技有限公司	The PRC	**50%**	—	Equity method	**1,463**	—
Total equity accounted investments					**1,461,723**	1,359,133
Loan to an associate — Dongguan Xindongyuan (note (a))					**—**	30,578
Total interest in associates and joint ventures					**1,461,723**	1,389,711

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

\# Registered under the laws of the PRC as sino-foreign co-operation joint ventures.

△ Registered under the laws of the PRC as private companies with limited liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and joint ventures (Continued)

(a) Dongguan Xindongyuan is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the concession right to a WTE plant in Machong Town, Dongguan City, Guangdong Province.

As at 31 December 2021, loan to an associate of HK$30,578,000 is unsecured and interest-bearing at the rate announced by the People's Bank of China and has been fully settled as at 31 December 2022. For the year ended 31 December 2022, interest income of HK$576,000 is recognised (2021: HK$3,952,000) (Note 11).

(b) Dongguan Xindongyue is principally engaged in the construction of environmental improvement project and treatment of hazardous waste. Currently, it owns the landfill for fly ash in Dongguan City and provides fly ash landfill service to the Group.

(c) Johnson is an investment holding company and the group is principally engaged in the provision of cleaning, janitorial and other related services for government, commercial, and industrial markets in Hong Kong.

As at 31 December 2022, the quoted fair value of the Group's equity interest in Johnson is HK$99,938,000 (31 December 2021: HK$156,825,000).

(d) Zhongzhou Environmental is principally engaged in the treatment of bottom ash produced from the incineration of waste in the PRC. The Group sells bottom ash to Zhongzhou Environmental.

(e) Shen County Nanyi is principally engaged in the investment, construction and operation of WTE project located in Circular Economy Industrial Park in Shen County, Shandong Province. As at 31 December 2022, the balance has been reclassified to "Assets classified as held-for-sale" (note 31).

(f) SIIC Xangtze Delta is an investment holding company incorporated in Hong Kong with SIIC Environment Tech (Hong Kong) Limited, a subsidiary of the substantial shareholder of the Company.

SIIC Xangtze Delta holds 60% of equity interest in Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd. ("SIIC Baojingang") (上海上實寶金剛環境資源科技有限公司), which owns the concession right to invest, construct and operate of a WTE project in Shanghai ("Baoshan WTE Project"). On 9 February 2022, the Group entered into the operations management agreement with SIIC Baojingang, pursuant to which SIIC Baojingang entrusted the Group to manage and operate Baoshan WTE Project.

(g) Canvest Guoye owns a concession right to construct a plant to process industrial waste at Jieyang Dananhai Petrochemical Industrial Park, Jieyang City, Guangdong Province.

(h) Sichuan SIIC is an investment holding company incorporated in the PRC and is owned as to 30% by Wuhan SIIC Environmental Holdings Limited, a subsidiary of the substantial shareholder of the Company.

On 3 August 2022, Sichuan SIIC completed the acquisition of all equity interests in Dazhou Jiajing Environment Renewable Resource Company Limited (達州佳境環保再生資源有限公司), which holds right to a WTE plant in Dazhou City, Sichuan Province with total daily MSW processing capacity of 2,000 tonnes, and phase 1 of this WTE plant commenced trial operation in late 2022. In September 2022, the Group entered into the operations management agreement with Dazhou SIIC Environment Protection Co., Ltd (達州上實環保有限公司) ("Dazhou SIIC"), a wholly-owned subsidiary of Sichuan SIIC, pursuant to which Dazhou SIIC entrusted the Group to manage and operate Dazhou WTE plant. On 3 March 2023, the Group entered into the waste processing service agreement with Dazhou SIIC, pursuant to which the Group will transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE plant, dispose the solidified fly ash generated from Dazhou WTE plant to the landfill and detect and repair impermeable membranes at the landfill for three years.

(i) Jianyang Canvest is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the BOT concession right to operate a WTE plant in Jianyang City, Sichuan Province.

(j) Hengyang Canvest is principally engaged in provision of MSW handling services and operation and management of WTE plant. It owns the BOT concession right to operate a WTE plant in Changning City, Hunan Province. The Group has joint control over Hengyang Canvest's management pursuant to the Articles of Hengyan Canvest. Accordingly, Hengyang Canvest is classified as a joint venture. As at 31 December 2022, the balance was reclassified to "Assets classified as held-for-sale" (note 31).

(k) Dongguan Hongyuezhilian is principally engaged in management and operations of smart car parking business in Dongguan, Guangdong Province.

Other than note (c) above, all of the associates and joint ventures are private entities and no quoted prices are available.

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For the year ended 31 December 2022

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in associates and joint ventures (Continued)

(i) Commitments and contingent liabilities in respect of joint ventures and associates

	2022 HK$'000	2021 HK$'000
Capital contribution to joint ventures	**71,524**	78,456
Capital contribution to associates	**129,645**	125,498

There were no contingent liabilities in respect of joint ventures and associates as at 31 December 2022 (2021: same).

(ii) Individually immaterial joint ventures

The Group has interests in a number of individually immaterial joint ventures that is accounted for using the equity method. The information disclosed have been amended to reflect adjustments made by the Group using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial joint ventures	**266,950**	288,721
Aggregate amounts of the Group's share of profits and total comprehensive income	**28,634**	20,147

(iii) Individually immaterial associates

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The information disclosed have been amended to reflect adjustments made by the Group using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial associates	**1,194,773**	1,100,990
Aggregate amounts of the Group's share of profits and total comprehensive income	**161,300**	76,351

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19 DEFERRED INCOME TAX

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

	2022 HK$'000	2021 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**23,759**	18,415
— to be settled after more than 12 months	**917,749**	839,554
	941,508	857,969

The analysis of deferred income tax charged to consolidated statement of profit or loss:

	2022 HK$'000	2021 HK$'000
Attributed to:		
— deferred income tax asset (Note 19(a))	**—**	4,101
— deferred income tax liabilities (Note 19(b))	**158,945**	100,663
	158,945	104,764

(a) Deferred income tax assets

	Tax losses HK$'000
At 1 January 2021	4,045
Charged to the consolidated statement of profit or loss	(4,101)
Currency translation differences	56
As at 31 December 2021, 1 January 2022 and 31 December 2022	—

The deferred income tax asset relates to carried-forward tax losses of a PRC subsidiary. The tax losses recognised has been fully utilised in 2021.

19 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	Revaluation of asset HK$'000	Service concession arrangements HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2021	342,978	351,754	33,990	728,722
(Credited)/charged to the consolidated statement of profit or loss	(12,646)	100,309	13,000	100,663
Acquisition of subsidiaries	8,646	—	—	8,646
Currency translation differences	8,050	11,888	—	19,938
At 31 December 2021	347,028	463,951	46,990	857,969
At 1 January 2022	**347,028**	**463,951**	**46,990**	**857,969**
(Credited)/charged to the consolidated statement of profit or loss	**(2,943)**	**148,588**	**13,300**	**158,945**
Currency translation differences	**(26,630)**	**(48,776)**	**—**	**(75,406)**
At 31 December 2022	**317,455**	**563,763**	**60,290**	**941,508**

Deferred income tax liabilities of approximately HK$127,454,000 as at 31 December 2022 (2021: HK$103,522,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2022 HK$'000	2021 HK$'000
Non-current assets		
Prepayments for property, plant and equipment and concession rights	**431,026**	1,626,490
Deposits and prepayments	**1,419**	3,147
	432,445	1,629,637
Current assets		
Trade and bills receivables		
— Bills receivables	**—**	1,084
— Trade receivables	**1,328,253**	1,066,869
— Less: Impairment of trade receivables	**(11,933)**	(5,933)
	1,316,320	1,062,020
Other receivables, deposits and prepayments		
— Deposits and prepayments	**23,901**	25,064
— Other receivables	**239,912**	261,361
— Value-added tax recoverable	**640,092**	645,304
— Less: Impairment of other receivables	**(26,956)**	(18,000)
	2,193,269	1,975,749
	2,625,714	3,605,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

The credit period granted by the Group is generally 30 days. The maturity of the bills receivables is within 6 months. The ageing analysis of trade receivables, net of impairment, based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
Up to 1 month (Note)	**776,568**	763,596
1 to 3 months	**169,590**	103,342
3 to 6 months	**160,452**	88,074
Over 6 months	**209,710**	105,924
	1,316,320	1,060,936

Note: As at 31 December 2022, the balance includes government on-grid tariff subsidy receivables of HK$486,608,000 (2021: HK$495,747,000) for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance of the PRC.

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

The Group determines the provision for expected credit losses by grouping together trade 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. Impairment allowance of HK$11,933,000 was provided as at 31 December 2022 (31 December 2021: HK$5,933,000).

The increase in the loss allowance was due to the increase in the gross carrying amount of trade and bills receivables as at 31 December 2022. The Group's credit policy with trade and bills receivables is disclosed in Notes 2.10 and 3.1(ii) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

As at 31 December 2022, other receivables mainly include refundable tender deposits for potential projects (31 December 2021: same).

If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses. As at 31 December 2022, the impairment was assessed to be HK$26,956,000 in respect of other receivables (31 December 2021: HK$18,000,000).

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

	2022 HK$'000	2021 HK$'000
RMB	**2,621,963**	3,602,312
HK$	**3,751**	3,074
	2,625,714	3,605,386

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

21 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, 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:

	2022 HK$'000	2021 HK$'000
Contract assets		
Receivables under service concession arrangements	**3,536,403**	2,637,579
Less: Impairment	**(26,778)**	(12,778)
	3,509,625	2,624,801
Less: Amount included in non-current assets	**(3,242,873)**	(2,361,965)
Amount included in current assets	**266,752**	262,836

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS (Continued)

(a) Significant changes in contract assets

The increase in receivables under service concession arrangements balances was mainly attributable to the ongoing construction of WTE projects during the year ended 31 December 2022.

To measure the expected credit losses of receivables under service concession arrangements, they have been grouped based on shared credit risk characteristics. The receivables under service concession arrangements relate to unbilled contract work and have the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the loss rates for receivables under service concession arrangements.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. As the Group's customers are primarily PRC local governments and state-owned entities, the probabilities of default rates are estimated based on comparable companies with published credit ratings and the forward-looking factors to reflect the effect of the external economic environment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The increase in the loss allowance was due to the increase in the gross carrying amount of receivables under service concession arrangements as at 31 December 2022. The Group's credit policy with receivables under service concession arrangements is disclosed in Notes 2.10 and 3.1(ii) to the consolidated financial statements.

(b) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term contracts:

	2022 HK$'000	2021 HK$'000
Aggregate amount of the transaction price that are partially or fully unsatisfied as at 31 December allocated to:		
(i) long-term service concession arrangements	**15,034,936**	15,445,001
(ii) environmental hygiene and other services contracts	**389,897**	283,940
	15,424,833	15,728,941

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include variable consideration.

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22 INVENTORIES

	2022	2021
	HK$'000	HK$'000
Fuel and other materials for waste treatment	**30,569**	22,321

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$259,779,000 for the year ended 31 December 2022 (2021: HK$280,121,000).

23 RESTRICTED DEPOSITS

	2022	2021
	HK$'000	HK$'000
Restricted deposits, denominated in RMB	**68,524**	46,830
Restricted deposits, denominated in HKD	**56,102**	—
	124,626	46,830

Restricted deposits of HK$36,873,000 (2021: HK$46,830,000) and HK$87,753,000 (2021: Nil) represent deposits pledged for BOT service concession arrangements in relation to various WTE plants and financing activities, respectively. As at 31 December 2022, HK$68,524,000 (2021: HK$46,830,000) were deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control. The effective interest rate on restricted deposits is 0.25%–2.75% per annum (2021: 0.3%–2.75%).

24 TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022	2021
	HK$'000	HK$'000
Cash at bank and on hand	**1,734,008**	1,695,113
Bank deposits	**75,875**	8,895
Cash and cash equivalents	**1,809,883**	1,704,008
Time deposits with original maturity date over 3 months	**22,500**	—
	1,832,383	1,704,008

As at 31 December 2022, the weighted average effective interest rate on bank deposits of the Group was 1.2%, 1.0% and 2.4% per annum for HK$, United States dollars ("US$") and Renminbi bank deposits, respectively (as at 31 December 2021: 0.3%, 0.2% and 2.4% for HK$, US$ and Renminbi, respectively). These bank deposits had original maturity dates of three months or less.

As at 31 December 2022, the weighted average effective interest rate on HK$ time deposits with original maternity date over 3 months was 2.0% per annum.

24 TIME DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

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

	2022 HK$'000	2021 HK$'000
HK$	**157,447**	107,359
RMB	**1,669,101**	1,587,470
US$	**5,835**	9,179
	1,832,383	1,704,008

As at 31 December 2022, the Group's time deposits and cash and cash equivalents balances of approximately HK$1,665,912,000 (2021: HK$1,573,507,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

(a) Share capital and share premium

	2022	2021
Authorised:		
Number of ordinary shares		
As at 1 January and 31 December	**5,000,000,000**	5,000,000,000
Equivalent nominal value of ordinary shares (HK$'000)	**50,000**	50,000
Issued and fully paid:		
Number of ordinary shares		
As at 1 January and 31 December	**2,439,541,169**	2,439,541,169
Equivalent nominal value of ordinary shares (HK$'000)	**24,395**	24,395

Under the Companies Law (Revised) of the Cayman Islands, the fund in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Other reserves

(i) Capital reserve

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

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

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

(ii) Statutory reserve

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

(iii) Other reserve

Other reserve represent difference between the fair value of consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries being acquired from non-controlling interest holders.

(iv) Share option reserve

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

(c) Share options

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

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

No share option granted was exercised since the date of grant to 31 December 2022 (2021: same). No share options granted was lapsed during the year ended 31 December 2022 (2021: 500,000 share options lapsed). As at 31 December 2022, a total of 2,500,000 (31 December 2021: 2,500,000) share options under the Share Option Scheme remained outstanding.

26 SHARES HELD UNDER SHARE AWARD SCHEME

On 3 May 2019 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain persons ("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 directors ("Board") of the Company, the Share Award Scheme is valid and effective for 10 years from the Adoption Date (the "Award Period").

Subject to the scheme rules of the Share Award Scheme, the Board of the Company may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Share Award Scheme as selected participants and determine the number of awarded shares to be granted and conditions as it deems appropriate, subject to the terms and conditions set out in the Share Award Scheme. The Board of the Company shall not make further award of awarded shares which will result in the nominal value of awarded shares under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected Eligible Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

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 ("Trustee"), to administrate the Share Award Scheme and the funds and properties held under the trust during the Award Period.

Movement of shares held under Share Award Scheme for the year ended 31 December 2022 and 2021 are as follows:

Shares held under Share Award Scheme	Number of shares	Consideration HK$'000
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	10,100,000	37,513

No shares were granted under the Share Award Scheme and the Group did not recognise any equity-settled share-based payments in relation to the Share Award Scheme for the year ended 31 December 2022 and 2021.

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27 BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
At variable interest rates		
Bank borrowings, secured	**13,283,162**	12,563,875
Less: Amount included under non-current liabilities	**(11,838,520)**	(11,279,473)
Amount included under current liabilities	**1,444,642**	1,284,402
Unsecured bank borrowings included under current liabilities	**299,167**	140,000
Total amounts under current liabilities	**1,743,809**	1,424,402

The repayment terms of bank borrowings are analysed as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year or on demand	**1,743,809**	1,424,402
Between 1 and 2 years	**1,241,772**	3,843,629
Between 2 and 5 years	**5,915,243**	3,211,065
Over 5 years	**4,681,505**	4,224,779
	11,838,520	11,279,473
Total bank borrowings	**13,582,329**	12,703,875

As at 31 December 2022, bank borrowings are secured by rights to collect revenue from power sales, waste handling and environmental hygiene services, right-of-use assets (Note 15), property, plant and equipment (Note 16), intangible assets (Note 17), restricted deposit (Note 23), and corporate guarantees (Note 35) (as at 31 December 2021: rights to collect revenue from power sales, waste handling and environmental hygiene services, property, plant and equipment, intangible assets, and corporate guarantees).

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

	2022 %	2021 %
Term loans		
— secured	**1.37–6.75**	2.45–5.39
— unsecured	**2.17–6.65**	1.43–2.20

27 BANK BORROWINGS (Continued)

The carrying amount of the Group's bank borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**9,772,307**	9,610,581
HK$	**3,810,022**	3,093,294
	13,582,329	12,703,875

28 LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities	**2,751**	9,244
Less: Amount included under current liabilities	**(2,751)**	(6,493)
Amount included under non-current liabilities	**—**	2,751

(i) The Group's leasing activities and how these are accounted for

Rental contract is typically made for fixed period of 2 to 3 years but may have extension options as described in (ii) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(ii) Extension and termination options

Extension and termination options are included in the property lease across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

During the year ended 31 December 2022, total cash outflow for leases was included in the consolidated statement of cash flows in (a) interest paid under "financing activities" of HK$150,000 (2021: HK$156,000), (b) payment for short-term and low-value assets leases of HK$12,597,000 under "operating activities" (2021: HK$11,161,000), and (c) principal elements of lease payments of HK$6,493,000 under "financing activities" (2021: HK$6,388,000).

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For the year ended 31 December 2022

29 DEFERRED GOVERNMENT GRANTS

	2022 HK$'000	2021 HK$'000
Deferred government grants	**202,280**	233,840
Less: Amount included under current liabilities	**(12,473)**	(9,124)
Amount included under non-current liabilities	**189,807**	224,716

30 TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Current liabilities		
Trade payables	**324,751**	261,313
Construction payables	**1,385,563**	1,115,560
Accruals and other payables	**304,413**	322,271
	2,014,727	1,699,144

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

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

	2022 HK$'000	2021 HK$'000
Up to 1 month	**216,119**	202,022
1 to 2 months	**38,246**	24,694
2 to 3 months	**21,038**	7,738
Over 3 months	**49,348**	26,859
	324,751	261,313

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

	2022 HK$'000	2021 HK$'000
RMB	**2,002,139**	1,693,027
HK$	**12,588**	6,117
	2,014,727	1,699,144

31 ASSETS CLASSIFIED AS HELD-FOR-SALE

The assets classified as held-for-sale, which have been presented separately in the consolidated balance sheet, are as follows:

	2022 HK$'000	2021 HK$'000
Assets		
Interests in an associate — Shen County Nanyi	**1,175**	—
Interests in a joint venture — Hengyang Canvest	**30,011**	—
	31,186	—

The entire interest in Shen County Nanyi of HK$1,175,000 has been reclassified from "Interest in associates and joint ventures" to "Assets classified as held-for-sale" as at 31 December 2022 as the Group intended to recover the carrying amount through sales. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs to sell. No remeasurement loss was recognised for the year ended 31 December 2022 in accordance with the provisions under HKFRS 5. A sale and purchase agreement for the disposal of entire 20% equity interest in Shen County Nanyi was subsequently entered into in February 2023 at a cash consideration of RMB1,582,000 (equivalent to HK$1,771,000). The transaction has been completed in March 2023.

In October 2022, the Group entered into a framework agreement for the proposed disposal of its entire 55% equity interest in Hengyang Canvest, at a cash consideration of RMB31,000,000 (equivalent to HK$34,705,000). Accordingly, the Group's entire interests in Hengyang Canvest of HK$30,011,000 has been reclassified from "Interest in associates and joint ventures" to "Assets classified as held-for-sale" as at 31 December 2022 and was measured at the lower of carrying amount and fair value less costs to sell. No remeasurement loss was recognised for the year ended 31 December 2022 in accordance with the provisions under HKFRS 5. A sale and purchase agreement for this disposal was subsequently entered into in February 2023 and the transaction has been completed in March 2023.

As at 31 December 2022, accumulated exchange difference recognised in other comprehensive loss and exchange reserve in equity relating to assets classified as held for sales amounted to HK$2,286,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 DIVIDEND

The Board has proposed the payment of a final dividend of HK4.7 cents per ordinary share for the year ended 31 December 2022 (2021: HK5.8 cents per ordinary share), totalling to HK$114,658,000 (2021: HK$141,493,000). The amount of final dividend was calculated based on the number of ordinary shares in issue (i.e. 2,439,541,169 shares) at the date of approval for issue of these consolidated financial statements (22 March 2023).

Subject to the approval by the shareholders at the annual general meeting of the Company to be held on Thursday, 15 June 2023, the proposed final dividend are expected to be paid on Monday, 31 July 2023 to shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2022.

During the year ended 31 December 2022, the Company has declared and paid an interim dividend of HK6.2 cents per ordinary share (2021: HK5.0 cents per ordinary share), totalling HK$151,252,000 (2021: HK$121,977,000).

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2022 and 2021 is as follows:

	2022 **HK$'000**	2021 HK$'000
Bank borrowings — repayable within one year or on demand (variable interest rate)	**1,743,809**	1,424,402
Bank borrowings — repayable after one year (variable interest rate)	**11,838,520**	11,279,473
Total bank borrowings	**13,582,329**	12,703,875
Lease liabilities	**2,751**	9,244
	13,585,080	12,713,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(a) The analysis of and the movements in liabilities arising from financing activities for the year ended 31 December 2022 and 2021 is as follows: (Continued)

	Bank borrowings repayable within one year or on demand HK$'000	Bank borrowings repayable after one year HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2021	822,634	8,357,650	1,073	9,181,357
Cash flows	(631,740)	3,895,708	(6,544)	3,257,424
Currency translation differences	10,087	228,047	—	238,134
Other non-cash movements	1,223,421	(1,201,932)	14,715	36,204
As at 31 December 2021	1,424,402	11,279,473	9,244	12,713,119
As at 1 January 2022	**1,424,402**	**11,279,473**	**9,244**	**12,713,119**
Cash flows	**(733,218)**	**2,508,891**	**(6,643)**	**1,769,030**
Currency translation differences	**(21,361)**	**(859,012)**	**—**	**(880,373)**
Other non-cash movements	**1,073,986**	**(1,090,832)**	**150**	**(16,696)**
As at 31 December 2022	**1,743,809**	**11,838,520**	**2,751**	**13,585,080**

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

	2022 HK$'000	2021 HK$'000
Net book amount (Note 16)	**72**	1,352
Loss on disposals of property, plant and equipment (Note 8)	**(9)**	(11)
Proceeds from disposals of property, plant and equipment	**63**	1,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 COMMITMENTS

(a) Capital commitments

	2022 HK$'000	2021 HK$'000
Authorised but not contracted to:		
Construction cost for BOT concession rights	**1,470,556**	2,304,423
Construction cost for property, plant and equipment	**497,988**	—
	1,968,544	2,304,423
Contracted but not provided for:		
Construction cost for BOT concession rights	**1,765,908**	4,507,304
Construction cost for property, plant and equipment	**147,492**	—
	1,913,400	4,507,304

35 FINANCIAL GUARANTEES

(a) As at 31 December 2022, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 27) amounting to HK$8,811,742,000 (31 December 2021: HK$9,427,116,000).

(b) The Group holds 49% equity interest in Dongguan Xindongyuan and accounted for as an associate in the consolidated balance sheet, which holds 30% equity interest in Dongguan Xindongqing Environmental Investment Company Limited ("Dongguan Xindongqing"). As at 31 December 2022, the Group provided a guarantee of RMB32,340,000 (equivalent to HK$36,205,000) for bank loans of Dongguan Xindongqing (as at 31 December 2021: RMB32,340,000 (equivalent to HK$39,555,000).

(c) On 6 July 2020, 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 with a term of not more than 180 months for the development and construction of the Jianyang WTE plant.

As at 31 December 2022, Kewei together with the ultimate beneficial owner of Jianyang Lujiang and its 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 (equivalent to HK$783,650,000) (as at 31 December 2021: RMB700,000,000 (equivalent to HK$856,170,000)) (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.

35 FINANCIAL GUARANTEES (Continued)

(d) The Group holds 40% equity interest in Zhongzhou Environmental, and accounted for as an associate in the consolidated balance sheet. As at 31 December 2022, Loyal Step Limited, a wholly-owned subsidiary of the Group, together with other shareholders of Zhongzhou Environmental, provided a joint and several guarantee in the aggregate amount of not exceeding of RMB90,000,000 (equivalent to HK$100,755,000) for bank loan of Zhongzhou Environmental (as at 31 December 2021: RMB90,000,000 (equivalent to HK$110,079,000).

(e) The Group holds 30% equity interest in Sichuan SIIC, and accounted for as an associate in the consolidated balance sheet. In February 2023, Eco-Tech provided a corporate guarantee of RMB60,000,000 (equivalent to HK$67,170,000) for bank loan of Sichuan SIIC.

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 31 December 2022 and 2021.

36 RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions and balances with related parties

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions:

(i) During the year ended 31 December 2022, the Group paid rental and related expenses of HK$9,454,000 for office to two related parties which was controlled by Mr. Lai Chun Tung (the Executive Director of the Company) and a close member of his family, as agreed by both parties (2021: HK$7,886,000).

(ii) During the year ended 31 December 2022, fly ash treatment services provided by an associate to the Group amounted to HK$115,462,000 (2021: HK$64,049,000). At as 31 December 2022, included in "Trade payables" are fly ash treatment fee payables of HK$46,481,000 (2021: HK$48,223,000) due to this associate, which are unsecured, interest-free and repayable on credit terms of 10 days after the receipt of VAT invoices.

(iii) During the year ended 31 December 2022, sales of bottom ash to an associate amounted to HK$5,993,000 (2021: HK$5,074,000). As at 31 December 2022, included in "Other receivables" are receivables of HK$1,040,000 (2021: HK$515,000) due from this associate, which are unsecured, interest-free and repayable on tenth of next month according to the credit terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions and balances with related parties (Continued)

(iv) During the year ended 31 December 2022, the Group provided operation management services of Baoshan WTE Project to a subsidiary of the Group's associate and recognised management service income amounted to HK$30,082,000 (2021: nil). As at 31 December 2022, included in "Trade receivables" are receivables of HK$9,347,000 (31 December 2021: nil) due from this subsidiary of the Group's associate, which are unsecured, interest-free and repayable on the twenty-fifth of next month according to the credit terms.

(v) During the year ended 31 December 2022, a related party, which was ultimately controlled by Mr. Lai Chun Tung and his family member, has been engaged to provide monitoring and audit services for the routine maintenance works of the machineries operated by the Group in the Group's WTE plants for service fees amounted to HK$3,501,000 (2021: nil) based on terms that were mutually agreed by both parties. As at 31 December 2022, included in "Trade payables" are payables of HK$1,824,000 (31 December 2021: nil) due to this related party, which are unsecured, interest free and repayable upon the receipt of the VAT invoice.

(vi) During the year ended 31 December 2022, the Group provided environmental hygiene and related services to a related party, which was significant influenced by Mr. Lai Chun Tung, for service fees amounted to HK$1,700,000 (2021: nil) based on terms that were mutually agreed by both parties. As at 31 December 2022, included in "Trade receivables" are receivables of HK$87,000 (31 December 2021: nil) due from this related party, which are unsecured, interest-free and repayable upon the receipt of the VAT invoices.

Other than those disclosed above and elsewhere in these consolidated financial statements, the Group did not have any transactions with its related parties during the years ended 31 December 2022 and 2021 and any balances with its related parties as at 31 December 2022 and 2021.

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36 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Key management compensation

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

	2022 **HK$'000**	2021 HK$'000
Wages and salaries	**23,563**	24,477
Pension costs — defined contribution plans	**340**	290
Welfare and other expenses	**3,029**	3,301
Total	**26,932**	28,068

37 EVENTS AFTER THE BALANCE SHEET DATE

(a) In February 2023, the Group acquired 0.5% equity interests of Shaoguan Canvest with a total consideration of RMB661,000 (equivalent to HK$740,000). Upon the completion of acquisition, the Group's equity interest in Shaoguan Canvest increased to 99.9%. At the date of approval for issue of these consolidated financial statements, the transaction has not completed.

(b) On 14 February 2023, the Group entered into a sale and purchase agreement to dispose of 55% equity interest in Hengyang Canvest at a consideration of RMB31,000,000 (equivalent to HK$34,705,000). This transaction has been completed in March 2023.

(c) On 13 February 2023, the Group entered into a sale and purchase agreement to dispose of 20% equity interest in Shen County Nanyi at a consideration of RMB1,582,000 (equivalent to HK$1,771,000). This transaction has been completed in March 2023.