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**CANVEST ENVIRONMENTAL PROTECTION
GROUP COMPANY LIMITED**

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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Reference is made to the Company's announcement dated 12 July 2018 whereby the Company entered into the Leasing Framework Agreement with Yue Xing, pursuant to which Yue Xing agreed to lease its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive).

As the business of the Group continues to develop, it is still necessary to continue to lease the offices in order to facilitate the Group's operations and continuing expansion. However, since the property rental indices in the PRC local market have increased significantly, the original lease term and the original annual transaction caps have not been able to reflect the prevailing market rental rates.

On 3 June 2021, the Company and Yue Xing entered into the Supplemental Leasing Framework Agreement to renew and revise the annual caps in the Leasing Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yue Xing is jointly-owned by Mr. CT Lai, who is an executive Director of the Company, and his associate. As such, Yue Xing is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

As the terms of the individual leasing agreements to be entered into under the Supplemental Leasing Framework Agreement are 12 months or less from the commencement date and those leases do not contain any purchase options, the Group will apply the short-term lease recognition exemption under the Hong Kong Financial Reporting Standard 16 to those leases. Accordingly, the Group will recognise the lease payments of individual leasing agreements to be entered into under the Supplemental Leasing Framework Agreement as expenses on a straight-line basis over the lease term, instead of recognising the right-of-use asset at the commencement date of the lease. Accordingly, the transactions contemplated under the Supplemental Leasing Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable ratio (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the annual caps for the Supplemental Leasing Framework Agreement exceed 0.1% but is less than 5%, the transactions contemplated under the Supplemental Leasing Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announces that, on 3 June 2021, the Company and Yue Xing entered into the Supplemental Leasing Framework Agreement to renew and revise the annual caps in the Leasing Framework Agreement.

PRINCIPLE TERMS OF THE SUPPLEMENTAL LEASING FRAMEWORK AGREEMENT

- Date: 3 June 2021
- Parties involved: (1) Yue Xing (as lessor); and
(2) the Company (as lessee)
- Term: 3 years commencing from 1 July 2021 and expiring on 30 June 2024 (both days inclusive)
- Subject matter: Pursuant to the Supplemental Leasing Framework Agreement, Yue Xing agreed to lease its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC.
- The parties will enter into individual leasing agreements with the term of 12 months or less from the commencement date for the relevant property leasing provided, in respect of which the general terms and conditions shall be consistent with the Supplemental Leasing Framework Agreement.
- The rent payable by the Company and/or its subsidiaries includes specific rent, property management fees and other fees actually incurred. The specific rent, timing of payment and payment method shall be set out in the individual agreements.
- Pricing principles: The rent and other terms under the individual agreements shall be fair, reasonable and on normal commercial terms. Specifically, the rent shall be determined based on the actual conditions of the properties with reference to fair and reasonable market price and price of comparable properties in similar areas.

EXISTING ANNUAL CAPS

The maximum amount of the rent payable by the Group to Yue Xing contemplated under the Leasing Framework Agreement for (i) each of the period from 13 July 2018 to 31 December 2018 and 1 January 2021 to 30 June 2021 shall not exceed RMB3,500,000; and (ii) each of the financial years ended 31 December 2019 and 31 December 2020 shall not exceed RMB7,000,000.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts for (i) the period from 13 July 2018 to 31 December 2018; (ii) each of the years ended 31 December 2019 and 31 December 2020; and (iii) the unaudited historical transaction amounts from 1 January 2021 to 31 May 2021 are set out as follows:

	13 July 2018 to 31 December 2018 (RMB)	For the financial year ended 31 December		1 January 2021 to 31 May 2021 (RMB)
		2019 (RMB)	2020 (RMB)	
Historical transaction amounts	<u>1,087,000</u>	<u>5,736,000</u>	<u>6,258,000</u>	<u>2,646,000</u>

None of the actual transaction amounts exceeded their respective annual cap amounts during the respective period.

PROPOSED ANNUAL CAPS

The proposed annual caps of the transactions contemplated under the Supplemental Leasing Framework Agreement for the relevant contract periods are set out below:

	1 July 2021 to 31 December 2021 (RMB)	For the financial year ended 31 December		1 January 2024 to 30 June 2024 (RMB)
		2022 (RMB)	2023 (RMB)	
Annual caps	<u>5,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,000,000</u>

The annual caps above have been determined based on the following: (i) demand for properties to be leased by the Group in the coming years to meet the Group's operations; (ii) historical transaction amounts; and (iii) an increase of the current market rental of similar properties in the vicinity.

In view of the above factors, the Directors consider that the above annual caps under the Supplemental Leasing Framework Agreement are fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL LEASING FRAMEWORK AGREEMENT

In order to meet the Group's continuing operations and expansion, the Group will need to continue to lease the properties from Yue Xing. Meanwhile, the current market rental of similar properties in the vicinity of the leased properties has been increasing throughout the years. Based on the principle of fair commercial cooperation conditions, Yue Xing intends to raise the property rental.

Given that the terms of the Supplemental Leasing Framework Agreement have been negotiated on arm's length basis and the continuing connected transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, the Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Supplemental Leasing Framework Agreement, the continuing connected transactions contemplated under the agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

BOARD'S APPROVAL

The Board has approved the Supplemental Leasing Framework Agreement. Pursuant to the relevant laws and regulations, the Listing Rules and the requirements of the articles of association of the Company, Mr. CT Lai, being a connected person, together with his associates (namely, Ms. Loretta Lee and Mr. KM Lai), had abstained from voting when the Board passed the resolution in respect of the Supplemental Leasing Framework Agreement.

INTERNAL CONTROL MEASURES

The Group will continue to adopt the internal control policies and procedures described in the section headed "Internal Control Measures" in the announcement of the Company dated 12 July 2018 in order ensure that the continuing connected transactions contemplated under the Supplemental Leasing Framework Agreement are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE CONNECTED PARTIES

The Group is principally engaged in the operation and management of waste-to-energy plants and provision of environmental hygiene and related services and integrated smart city management services.

Yue Xing is principally engaged in property development and management in the PRC.

LISTING RULES IMPLICATION

As Yue Xing is jointly-owned by Mr. CT Lai, who is an executive Director of the Company, and his associate, Yue Xing is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

As the terms of the individual leasing agreements to be entered into under the Supplemental Leasing Framework Agreement are 12 months or less from the commencement date and those leases do not contain any purchase options, the Group will apply the short-term lease recognition exemption under the Hong Kong Financial Reporting Standard 16 to those leases. Accordingly, the Group will recognise the lease payments of individual leasing agreements to be entered into under the Supplemental Leasing Framework Agreement as expenses on a straight-line basis over the lease term, instead of recognising the right-of-use asset at the commencement date of the lease. Accordingly, the transactions contemplated under the Supplemental Leasing Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable ratio (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the annual caps for the Supplemental Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Supplemental Leasing Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Canvest Environmental Protection Group Company Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange of Hong Kong Limited
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“Leasing Framework Agreement”	the leasing framework agreement dated 12 July 2018 entered into between the Company and Yue Xing in relation to the leasing of office premises, details of which are set out in the Company's announcement dated 12 July 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. CT Lai”	Mr. Lai Chun Tung, an executive Director of the Company

“Mr. KM Lai”	Mr. Lai Kin Man, an executive Director and a Controlling Shareholder of the Company
“Ms. Loretta Lee”	Ms. Lee Wing Yee, Loretta, an executive Director and a Controlling Shareholder of the Company
“PRC”	The People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency in the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Supplemental Leasing Framework Agreement”	the supplemental agreement to the Leasing Framework Agreement dated 3 June 2021 entered into between the Company and Yue Xing in relation to the revised annual caps and the leasing of office premises
“Yue Xing”	Yue Xing Company Limited [#] (東莞市粵星建造有限公司), a company incorporated in the PRC and is jointly-owned by Mr. CT Lai and his associate

[#] *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 3 June 2021

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