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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)**

### **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 30% EQUITY INTEREST OF THE TARGET COMPANY**

#### **THE ACQUISITION**

The Board is pleased to announce that, on 10 June 2021, World Prosperous, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement, pursuant to which the Seller agreed to sell and World Prosperous agreed to acquire (i) 30% equity interest of the Target Company for a consideration of approximately RMB12,750,000 (approximately HK\$15,555,000); and (ii) the Sale Loan. The Target Company owns 85% of equity interest in Langzhong Mingcheng, which holds a BOT concession right project in Langzhong city, Sichuan Province.

#### **BENEFITS OF THE ACQUISITION**

In addition to the joint development of the Baoshan WTE plant located in the Yangtze River Delta region, the Acquisition continues to demonstrate the successful strategic partnership between the Company and SIHL. The Group is determined to seize the development opportunities of the solid waste processing market in Sichuan Province. Through the Acquisition, the Board is of the view that it will enable the Group to expand its geographical presence in the Sichuan Province and will enable the Group to invest and/or acquire other solid waste processing companies through the Target Company in the future.

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Seller is owned as to 45% by Shanghai Huining, 45% by SIIC Shanghai and 10% by the Remaining Shareholder. Shanghai Huining is an indirect wholly-owned subsidiary of SIHL, who is a substantial Shareholder of the Company. SIIC Shanghai is a company with SIIC (who is the controlling shareholder and a connected person of SIHL) as the authorized representative exercising state-owned shareholder's right over it. SIIC (through its subsidiary) also holds 10% of the registered capital of the Seller. As such, the Seller is an associate of SIHL and SIIC and therefore a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios under the Listing Rules are higher than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

**The Acquisition is subject to fulfilment of certain Consideration Conditions and may be terminated in certain circumstances. Accordingly, there is no assurance that the Acquisition will be completed. Shareholders, investors in general and holders of securities of the Company should exercise caution when dealing in the shares or other securities of the Company.**

## THE ACQUISITION

The Board is pleased to announce that, on 10 June 2021, World Prosperous, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement, pursuant to which the Seller agreed to sell and World Prosperous agreed to acquire (i) 30% equity interest of the Target Company for a consideration of approximately RMB12,750,000 (approximately HK\$15,555,000); and (ii) the Sale Loan. The Target Company owns 85% of equity interest in Langzhong Mingcheng, which holds the BOT concession right project in Langzhong city Sichuan Province. The Share Purchase Agreement was entered into following the successful bid by World Prosperous for the Sale Shares that were listed on the Shanghai United Assets and Equity Exchange Company Limited at a consideration of RMB12,750,000 (approximately HK\$15,555,000).

## **PRINCIPLE TERMS OF THE SHARE PURCHASE AGREEMENT**

**Date:** 10 June 2021

**Parties involved:** (1) World Prosperous; and  
(2) The Seller

### **Assets to be acquired**

Pursuant to the Share Purchase Agreement, World Prosperous has conditionally agreed to acquire and the Seller has conditionally agreed to sell (i) the Sale Shares; and (ii) the Sale Loan. The Sale Shares, representing 30% of the registered share capital of the Target Company, will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Share Purchase Agreement. The Sale Loan represents the shareholder's loan owed by the Target Company to the Seller as at the date of this announcement.

### **Consideration**

Pursuant to the terms of the Share Purchase Agreement, World Prosperous shall pay the consideration in various stages following the completion of the Consideration Conditions.

The consideration for the Acquisition was determined with reference to (i) the paid-up capital of the Target Company, being RMB40,000,000; and (ii) the reasons set out in the section headed "Reasons for and benefits of the Acquisition" in this announcement below. The consideration payable by World Prosperous will be financed by the internal resources of the Group.

Having considered the above and the factors described in the paragraph headed "Reasons for and benefits of the Acquisition" below, the Directors consider the consideration of the Acquisition to be fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

## Consideration Conditions

The consideration will be settled in the following stages subject to the fulfillment of the Consideration Conditions imposed for each stage:

	<b>Amount</b>	<b>Consideration Conditions</b>
Stage 1	RMB3,825,000 for 30% of the Sale Shares	Within five Business Days upon the signing and taking effect of the Share Purchase Agreement.
Stage 2	RMB5,100,000 for 40% of the Sale Shares	Within 15 Business Days upon the fulfillment of the following conditions: <ul style="list-style-type: none"><li>● all corporate filings as stipulated under the Share Purchase Agreement having been updated and filed with the relevant regulatory authorities; and</li><li>● completion of registration of the transfer of the Sale Shares to World Prosperous with the Langzhong City Bureau of Industry and Commerce</li></ul>
Stage 3	RMB3,825,000 for 30% of the Sale Shares	Within 15 Business Days upon the settlement of the consideration for Stage 2.

## Completion

Pursuant to the terms of the Share Purchase Agreement, Completion shall take place upon fulfillment of the Consideration Conditions and the settlement of the Consideration.

## FINANCIAL INFORMATION AND BACKGROUND INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC with a registered capital of RMB40,000,000 and was owned as to (i) 30% by the Seller; (ii) 40% by Sichuan Development Equity Investment Fund Co., Ltd.\* (四川產業振興發展投資基金有限公司), which is ultimately controlled by the Sichuan Provincial People's Government; and (iii) 30% by SIIC Environmental Holdings (Wuhan) Co., Ltd.\* (上實環境控股(武漢)有限公司), which is ultimately controlled by the Shanghai State-owned Assets Management Office.

The Target Company operates the innocuous treatment facility in Langzhong city and had entered into an operating agreement with the government of Langzhong in 2013 for a total of 20 years. The Target Company currently holds a BOT concession right in Langzhong city, Sichuan Province. The daily municipal solid waste processing capacity of the WTE plant is 350 tonnes.

Set out below is the summary of the financial information of the Target Company for each of the two years ended 31 December 2019 and 2020 based on its consolidated financial statements prepared in accordance with PRC Accounting Standards:

	<b>For the year ended 31 December 2020 <i>RMB'000</i></b>	<b>For the year ended 31 December 2019 <i>RMB'000</i></b>
Revenue	17,078	11,165
Profit before taxation	3,123	1,183
Profit after taxation	2,887	1,183
	<b>As at 31 December 2020 <i>RMB'000</i></b>	<b>As at 31 December 2019 <i>RMB'000</i></b>
Assets	125,415	86,386
Liabilities	84,221	48,079
Net asset value	41,194	38,307

## **INFORMATION OF THE SELLER**

The Seller is a company established in the PRC and is owned as to 45% by Shanghai Huining, 45% by SIIC Shanghai and 10% by the Remaining Shareholder. Shanghai Huining is an indirect wholly-owned subsidiary of SIHL, who is a substantial Shareholder of the Company. SIIC Shanghai is a company with SIIC (who is the controlling shareholder and a connected person of SIHL) as the authorized representative exercising state-owned shareholder's right over it. SIIC (through its subsidiary) also holds 10% of the registered capital of the Remaining Shareholder. SIIC is ultimately controlled by the Shanghai State-owned Assets Management Office. The Seller is principally engaged in business investment, asset management and other consultation businesses.

## **INFORMATION OF WORLD PROSPEROUS AND THE GROUP**

World Prosperous is a limited liability company established in Hong Kong and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

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.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

In addition to the joint development of the Baoshan WTE plant located in the Yangtze River Delta region, the Acquisition continues to demonstrate the successful strategic partnership between the Company and SIHL. The Group is determined to seize the development opportunities of the solid waste processing market in Sichuan Province. Through the acquisition of 30% equity interest of the Target Company, the Board is of the view that the Acquisition will enable the Group to expand its geographical presence in the Sichuan Province and will enable the Group to invest and/or acquire other solid waste processing companies through the Target Company in the future.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Acquisition has been entered on normal commercial terms and are fair and reasonable and the transactions contemplated under Share Purchase Agreement are in the best interests of the Company and the shareholders of the Company as a whole.

None of the Directors has any material interest in the transaction contemplated under the Share Purchase Agreement. However, Mr. Feng Jun, a non-executive Director of the Company who is also the chief representative of the Shanghai Representative Office of SIHL, was absent from the relevant board meeting and did not vote on the Board resolution approving the transactions contemplated under the Share Purchase Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, the Seller is owned as to 45% by Shanghai Huining, 45% by SIIC Shanghai and 10% by the Remaining Shareholder. Shanghai Huining is an indirect wholly-owned subsidiary of SIHL, who is a substantial Shareholder of the Company. SIIC Shanghai is a company with SIIC (who is the controlling shareholder and a connected person of SIHL) as the authorized representative exercising state-owned shareholder's right over it. SIIC (through its subsidiary) also holds 10% of the registered capital of the Seller. As such, the Seller is an associate of SIHL and SIIC and therefore a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios under the Listing Rules are higher than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

**The Acquisition is subject to fulfilment of certain Consideration Conditions and may be terminated in certain circumstances. Accordingly, there is no assurance that the Acquisition will be completed. Shareholders, investors in general and holders of securities of the Company should exercise caution when dealing in the shares or other securities of the Company.**

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by World Prosperous pursuant to the terms of the Share Purchase Agreement
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors of the Company
“BOT”	build, operate, transfer
“Business Day(s)”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays)
“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
“Completion”	completion of the Acquisition
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration Condition(s)”	the conditions precedent to the payment of the consideration as stated in this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region

“Langzhong Mingcheng”	Langzhong Mingcheng Domestic Waste Treatment Co., Ltd.* (閬中市名城生活垃圾處理有限公司), a company established in the PRC and holds a BOT concession right in Langzhong city, Sichuan Province
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan
“Remaining Shareholder”	Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, a company incorporated in Hong Kong and is controlled by SIIC
“RMB”	Renminbi, the lawful currency in the PRC
“Sale Loan”	the shareholder’s loan to be transferred to World Prosperous (which will be amounted to RMB3,000,000 at the time of the Completion)
“Sale Shares”	30% of the registered share capital of the Target Company which the Seller agreed to sell and the World Prosperous agreed to acquire conditionally under the Share Purchase Agreement
“Seller”	Shanghai Galaxy Digital Investment Co., Ltd.* (上海星河數碼投資有限公司), a company established in the PRC and is a connected person of the Company
“Shanghai Huining”	Shanghai Huning Expressway (Shanghai Section) Development Co., Ltd.* (上海滬寧高速公路(上海段)發展有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of SIHL
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Purchase Agreement”	the share purchase agreement dated 10 June 2021 entered into between World Prosperous and the Seller in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Shares
“SIHL”	Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 363) and is a substantial Shareholder of the Company



“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“SIIC Shanghai”	SIIC Shanghai Holdings Co., Ltd.* (上海上實(集團)有限公司), a company incorporated in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder’s right over it
“Target Company”	Sichuan SIIC Environmental Investment Development Co., Ltd.* (四川上實環境投資發展有限公司), a company established in the PRC and city, Sichuan Province operates the innocuous treatment facility in Langzhong
“World Prosperous”	World Prosperous Investments Limited (世豐國際投資有限公司), a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company
“WTE”	waste-to-energy

\* *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, 10 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.*

*The transactions between RMB and HK\$ in this announcement were made at the rate of RMB1.00 to HK\$1.22. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on the date hereof or any other date.*