

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **VOLUNTARY ANNOUNCEMENT ESTABLISHMENT OF AN INVESTMENT FUND**

Reference is made to the announcement of the Company dated 4 January 2017 with respect to the strategic cooperation with BOC & UTRUST and Guangdong Finance Investment International Co., Limited (粵財控股香港國際有限公司).

#### **ESTABLISHMENT OF THE FUND**

The Board is pleased to announce that on 4 December 2017, Kewei and Yuezhan Investment, wholly-owned subsidiaries of the Company, as the sub-preferential limited partner and the deferred limited partner, respectively, entered into the Partnership Agreement with Guangdong Utrust, as the preferential limited partner, and BOC & UTRUST, as the General Partner, in relation to the establishment of the Fund. Pursuant to the Partnership Agreement, the Fund is expected to have an aggregate capital commitment of RMB1,501 million, among which, Kewei and Yuezhan Investment shall commit to contribute RMB200 million and RMB100 million, respectively, while Guangdong Utrust shall commit to contribute RMB1,200 million and the General Partner shall commit to contribute RMB1 million. The purpose of the Fund shall be to invest in potential WTE projects.

#### **THE PARTNERSHIP AGREEMENT**

On 4 December 2017, Kewei, Yuezhan Investment and Guangdong Utrust, as Limited Partners, and BOC & UTRUST, as the General Partner, entered into the Partnership Agreement in relation to the establishment of the Fund. The principal terms of the Partnership Agreement are summarized below:

**Date** : 4 December 2017

**Name of the Fund** : Zhuhai Hengqin Utrust Canvest Clean Energy Industry Acquisition Investment Fund L.P.\* (珠海橫琴粵財粵豐清潔能源產業併購合夥企業(有限合夥))

**General Partner and Fund Manager** : BOC & UTRUST Private Equity Fund Management (Guangdong) Co., Ltd.\* (中銀粵財股權投資基金管理(廣東)有限公司), which shall be responsible for the management and operation of the Fund.

**Limited Partners** :

- (1) Guangdong Utrust Trust Company Limited\* (廣東粵財信託有限公司), a preferential limited partner of the Fund.
- (2) Dongguan Kewei Environmental Power Company Limited\* (東莞科維環保投資有限公司), a wholly-owned subsidiary of the Company and a sub-preferential limited partner of the Fund.
- (3) Yuezhan Environmental Investment (Guangdong) Company Limited\* (粵展環保投資(廣東)有限公司), a wholly-owned subsidiary of the Company and a deferred limited partner of the Fund.

The Limited Partners shall not be involved in the management and operations of the Fund.

**Duration of the Fund** : 7 years from the date of the first capital contribution by Guangdong Utrust, the preferential limited partner.

**Purpose of the Fund** : The purpose of the Fund shall be to invest in potential WTE projects.

<b>The respective committed capital contribution of the Partners</b>	<b>Committed capital contribution amount</b> <i>RMB'000</i>	<b>Percentage</b> <i>(%)</i>
BOC & UTRUST (General Partner)	1,000	0.07
Guangdong Utrust (Preferential limited partner)	1,200,000	79.95
Kewei (Sub-preferential limited partner)	200,000	13.32
Yuezhan Investment (Deferred limited partner)	<u>100,000</u>	<u>6.66</u>
	<u><u>1,501,000</u></u>	<u><u>100.00</u></u>

The size of the Fund and the respective committed capital contribution of the Partners were determined after arm's length negotiations among the Partners. Pursuant to the Partnership Agreement, the size of the Fund may be increased with the consent of all Partners.

- Payment of capital contribution** : The Fund Manager shall, within 7 days after the Investment Decision Committee (defined below) resolved to invest in a WTE project, issue payment notices (the “**Payment Notice**”) to the Limited Partners to request for capital contribution from each of the Limited Partners in proportion to the percentage of their committed capital contribution. The Limited Partners shall pay their proportion of capital contribution within 15 business days from the date of the Payment Notice.
- Investment Decision Committee** : The Fund shall establish an investment decision committee as the investment decision making authority of the Fund (the “**Investment Decision Committee**”). The Investment Decision Committee shall comprise five committee members, among which, the Fund Manager shall be entitled to nominate two committee members and each of the Limited Partners shall be entitled to nominate one committee member. Any investment proposal of the Fund is subject to unanimous approval by all committee members of the Investment Decision Committee.
- Income of the Fund** : Income of the Fund shall be derived from two sources: (i) income from disposal of all or part of the Fund’s interest in WTE projects; and (ii) income from dividends, interests and other distributions by WTE projects which the Fund has invested in.
- Any income derived from disposal of any WTE project shall be distributed to the Limited Partners immediately and will not be used to reinvest in other WTE projects.
- Preferential return for the preferential limited partner** : Guangdong Utrust, being the preferential limited partner, shall be entitled to preferential return based on a rate of return of up to 0.16% per annum plus a floating rate of return.
- The floating rate of return is based on the benchmark lending rate for a loan of comparable grade promulgated by the People’s Bank of China for a 7-year term raised by 18.9%. For the avoidance of doubt, assuming that the benchmark lending rate promulgated by the People’s Bank of China for a 7-year term is  $R$ , the floating rate of return shall equal to  $R \times (1 + 18.9\%)$ .
- Management fee** : Management fee shall be charged by the Fund Manager on a project by project basis. The management fee shall be negotiated and agreed upon between, the Fund Manager, Kewei and Yuezhan Investment upon the Fund investing in a particular WTE project.
- Priority of distribution of income** : Any distribution of income by the Fund shall be made in accordance with following priority:
- (i) Preferential return of Guangdong Utrust, the preferential limited partner;
  - (ii) Investment capital of Guangdong Utrust, the preferential limited partner;

- (iii) Management fee of the Fund Manager;
- (iv) Investment capital of Kewei, the sub-preferential limited partner;
- (v) Investment capital of Yuezhan Investment, the deferred limited partner; and
- (vi) Any remaining income of the Fund after distributing items (i) to (v) above shall be distributed as to 20% to the Fund Manager and 80% to Yuezhan Investment, the deferred limited partner.

**Transfer of interest in the Fund** : In the event that Guangdong Utrust wishes to transfer its interest in the Fund, Guangdong Utrust shall first offer to transfer its interest in the Fund to Kewei or the General Partner (or their respective designated third party). If Kewei or the General Partner (or their respective designated third party) do not accept such transfer, Guangdong Utrust shall have the right to transfer its interest in the Fund to any third party.

The General Partner shall have a preferential right to acquire all or part of Guangdong Utrust's interest in the Fund.

**Exit mechanisms** : Save for the mechanisms provided above for the transfer of interest in the Fund by Guangdong Utrust or the General Partner or otherwise in accordance with the Partnership Agreement, the Limited Partners shall not be entitled to exit the Fund.

The General Partner shall fulfill its obligations under the Partnership Agreement and shall not exit the Fund at any time prior to the dissolution of the Fund.

## **INFORMATION ON THE GROUP, THE FUND AND THE OTHER PARTIES**

### **The Group**

The Group is a leading pure play WTE provider focused on the provision of municipal solid waste treatment related services and operation and management of WTE plants.

### **The Fund**

Upon establishment of the Fund, the principal activity of the Fund shall be to invest in potential WTE projects.

### **BOC & UTRUST**

BOC & UTRUST is a joint venture company established in the PRC by Utrust Investment Holdings Limited\* (廣東粵財投資控股有限公司), which is a financial holding group directly under the People's Government of Guangdong Province, and Bank of China Group Investment Limited. The principal business of BOC & UTRUST is fund management.

## **Guangdong Utrust**

Guangdong Utrust is the non-bank financial institutions approved by China Banking Regulatory Commission. It is the only state-owned trust organization in Guangdong Province and is principally engaged in operating funds trust, chattel trust, real estate trust, negotiable securities trust, other assets or property rights trust, corporate asset reorganization, merger and acquisition and project financing, wealth management and financial advisory, as well as acting as promoters of investment funds or fund management.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, BOC & UTRUST and Guangdong Utrust and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

### **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE FUND**

The establishment of the Fund will provide a platform for the Group to leverage on the business and financial model of a private equity fund, and to enhance returns whilst managing relevant financial risks. As the principal objective of the Fund is to seek investment opportunities in the WTE industry in the PRC, the establishment of the Fund is in line with the Group's business strategy to accelerate its development through strategic acquisitions and thereby further enhancing its competitiveness in the WTE industry in the PRC and promoting sustainable growth of the Group.

The terms of the Partnership Agreement are made after arm's length negotiation among the parties. The Directors (including the independent non-executive Directors) consider that the terms of the Partnership Agreement are on normal commercial terms and fair and reasonable, and the establishment of the Fund is in the interest of the Company and its shareholders as a whole.

None of the Directors had a material interest in the establishment of the Fund and was required to abstained from voting on the relevant board resolutions.

### **IMPLICATIONS UNDER THE LISTING RULES**

As all applicable percentage ratios in respect of the establishment of the Fund pursuant to the Partnership Agreement are below 5%, the establishment of the Fund does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

The Company will make further announcement(s) pursuant to the requirements under the Listing Rules as and when appropriate.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“BOC & UTRUST”	BOC & UTRUST Private Equity Fund Management (Guangdong) Co., Ltd.* (中銀粵財股權投資基金管理(廣東)有限公司), a company established in the PRC with limited liability, the General Partner and Fund Manager
“Company”	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands and whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Fund”	Zhuhai Hengqin Utrust Canvest Clean Energy Industry Acquisition Investment Fund L.P.* (珠海橫琴粵財粵豐清潔能源產業併購合夥企業(有限合夥)), a limited partnership to be established under the laws of the PRC pursuant to the Partnership Agreement
“Fund Manager”	the fund manager of the Fund, being BOC & UTRUST
“General Partner”	the general partner of the Fund, being BOC & UTRUST
“Group”	the Company and its subsidiaries
“Guangdong Utrust”	Guangdong Utrust Trust Company Limited* (廣東粵財信託有限公司), a company established in the PRC with limited liability and a preferential limited partner of the Fund
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kewei”	Dongguan Kewei Environmental Power Company Limited* (東莞科維環保投資有限公司) (formerly known as 東莞市科維環保電力有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company and the sub-preferential limited partner of the Fund
“Limited Partner(s)”	limited partners of the Fund, being Guangdong Utrust as the preferential limited partner, Kewei as the sub-preferential limited partner and Yuezhan Investment as the deferred limited partner
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partners”	the General Partner and the Limited Partners
“Partnership Agreement”	the partnership agreement dated 4 December 2017 entered into between Kewei, Yuezhan Investment, Guangdong Utrust and the General Partner in relation to the establishment of the Fund

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WTE”	waste-to-energy
“Yuezhnan Investment”	Yuezhnan Environmental Investment (Guangdong) Company Limited* (粵展環保投資(廣東)有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company and the deferred limited partner of the Fund

\* *For identification purpose only.*

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

Hong Kong, 5 December 2017

*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, Mr. Lui Ting Cheong Alexander and Mr. Lai Yui, 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.*