

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)

**CONTINUING CONNECTED TRANSACTIONS
SANYANG LEASING FRAMEWORK AGREEMENT
AND
MAS FRAMEWORK AGREEMENT**

SANYANG LEASING FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 12 July 2018 and 3 June 2021 in relation to the YX Leasing Framework Agreement. On 7 February 2022 (after trading hours), 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. CT Lai (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement.

On the same day, the Company and Sanyang entered into 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).

MAS FRAMEWORK AGREEMENT

On 7 February 2022 (after trading hours), the Company and Canvest ECT entered into 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).

IMPLICATIONS UNDER THE LISTING RULES

As Sanyang is ultimately held by Mr. CT Lai (an executive Director) and his associates and Mr. CT Lai is interested in Canvest ECT, each of Sanyang and Canvest ECT is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Sanyang Leasing Framework Agreement and/or the MAS Framework Agreement constitute continuing connected transactions of the Company.

As the terms of the individual leasing agreements to be entered into under the Sanyang 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 Sanyang 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 Sanyang Leasing Framework Agreement constitute continuing connected transactions of the Company.

Since the Sanyang Leasing Framework Agreement and the MAS Framework Agreement were entered into between the Company with parties held by the same ultimate beneficial owners within 12 months, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Sanyang Leasing Framework Agreement and those under the MAS Framework Agreement shall be aggregated as if they were one transaction. For the relevant period of the Sanyang Leasing Framework Agreement and MAS Framework Agreement, the aggregate proposed annual caps are set out as follows:

	From the date of this announcement to 31 December 2022 (RMB)	For the financial year ending 31 December 2023 (RMB)	2024 (RMB)	1 January 2025 to 6 February 2025 (RMB)
Annual caps	17,300,000	17,800,000	18,300,000	1,570,000

However, as Sanyang is a controller of Yue Xing, the Sanyang Leasing Framework Agreement covers the portfolio of properties available for leasing under the YX Leasing Framework Agreement and the YX Leasing Framework Agreement have been terminated, the annual caps for the transactions under the YX Leasing Framework Agreement are no longer applicable and shall therefore not be subject to aggregation under Rule 14A.81 of the Listing Rules.

As the highest applicable ratio (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the annual caps for the Sanyang Leasing Framework Agreement and MAS Framework Agreement on an aggregate basis exceeds 0.1% but is less than 5%, the transactions contemplated under the Sanyang Leasing Framework Agreement and MAS Framework Agreement on an aggregate basis 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.

I. SANYANG LEASING FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 12 July 2018 and 3 June 2021 in relation to the YX Leasing Framework Agreement. On 7 February 2022 (after trading hours), 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. CT Lai (including Yue Xing), the Company and Yue Xing mutually agreed to terminate the YX Leasing Framework Agreement.

On the same day, the Company and Sanyang entered into 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).

PRINCIPLE TERMS OF THE SANYANG LEASING FRAMEWORK AGREEMENT

- Date: 7 February 2022
- Parties involved: (1) Sanyang (as lessor)
(2) the Company (as lessee)
- Term: Three years commencing from 7 February 2022 and expiring on 6 February 2025 (both days inclusive)
- Subject matter: Pursuant to the Sanyang Leasing Framework Agreement, 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.
- The parties will enter into the individual Leasing Agreements based on 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 Sanyang Leasing Framework Agreement.
- The rent payable by the Group includes specific rent, property management fees and other fees actually incurred by Sanyang. The specific rent, timing of payment and payment method shall be set out in the individual Leasing Agreements.
- Pricing principles: The rent and other terms under the individual Leasing 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.

In practice, prior to entering into or renewing any individual Leasing Agreement, the administrative department would conduct market research and obtain rental quotations/listings of other comparable commercial properties from real estate agents or by perusing rental listings on real estate agency websites. The rental quotations/listings will be compared to the terms of that in the individual Leasing Agreements based on factors such as location, proximity to the premises owned by Sanyang, office grading, size and furnishing. If the prices and terms under the individual Leasing Agreements are no less favourable to the Group than those under the quotations/listings, an application approval form setting out the details will then be prepared and submitted to the manager of administrative department for approval. The approval form will then be submitted to the general manager of respective subsidiaries, vice president of the business department and the chief executive officer of the Company for approval.

Upon obtaining the approval, a standard contract approval form adopted by the Group for all transactions will then be prepared by the administrative department in respect of the individual Leasing Agreements. The standard contract approval form will set out the terms of the individual Leasing Agreements, which will then be submitted to the vice president of the finance department, vice president of the business department, manager from the legal department, the Company's company secretary and chief executive officer for approval.

Lastly, as the individual Leasing Agreements constitute a connected transaction of the Company, it will be submitted to the Board for approval whereby the interested Directors will abstain from voting.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts for (i) each of the years ended 31 December 2019, 2020 and 2021; and (ii) the period from 1 January 2022 to the date immediately prior to this announcement are set out as follows:

	For the financial year ended			1 January 2022
	31 December			to
	2019	2020	2021	6 February
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Historical transaction amounts	5,736,000	6,258,000	6,547,000	628,000

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 Sanyang Leasing Framework Agreement for the relevant periods are set out below:

	From the date of this announcement to 31 December 2022 (RMB)	For the financial year ending 31 December 2023 (RMB)		1 January 2025 to 6 February 2025 (RMB)
Annual caps	10,800,000	10,800,000	10,800,000	900,000

The proposed annual caps above have been determined based on: (i) demand for the existing and additional properties that are required to be leased by the Group in the coming years to meet the Group's operations and business expansion; (ii) historical annual caps under the YX Leasing Framework Agreement and transaction amounts, with an increase representing the rental and relevant utilities fees for the additional space to be rented by the Group; and (iii) a potential increase of the current market rental of similar properties in the vicinity.

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

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

Since 13 July 2018, the Group has been leasing properties held by Yue Xing (being a company controlled by Sanyang) as premises for its daily operations. In order to meet the Group's continuing operations and expansion, the Group will need to, while continuing to lease the properties from Yue Xing, lease additional properties, such as research and development space on ground floor of the properties. Given that Sanyang is a controller of Yue Xing and Sanyang also has other properties available for leasing to the Group (subject to further agreement of the terms in the individual Leasing Agreements as mentioned above), the Company intends to enter into the Sanyang Leasing Framework Agreement, which covers the existing properties rented by the Group from Yue Xing and other additional properties. By terminating the YX Leasing Framework Agreement and entering into the Sanyang Leasing Framework Agreement, the Company would be able to ensure the stableness of the Group's leased properties and to satisfy future demand of the Group's business from time to time.

Given that the terms of the Sanyang 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 Sanyang 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.

II. MAS FRAMEWORK AGREEMENT

The Board announces that, on 7 February 2022 (after trading hours), the Company and Canvest ECT entered into 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).

PRINCIPLE TERMS OF THE MAS FRAMEWORK AGREEMENT

Date: 7 February 2022

Parties involved: (1) the Company
(2) Canvest ECT

Term: From 7 February 2022 to 6 February 2025 (both days inclusive)

Subject matter: Pursuant to the MAS Framework Agreement, Canvest ECT agreed to provide procedural monitoring and audit services in respect of certain routine maintenance works for the machineries operated by the Group in the Group's WTE plants (including the routine inspection and maintenance works for the waste incinerators and steam turbine generators).

The parties will enter into the individual MAS Agreements based on the actual monitoring and audit services required for specific maintenance works, provided that the general terms and conditions shall be consistent with the MAS Framework Agreement.

The service fees payable by the Group includes costs for the provision of monitoring and audit services and other fees actually incurred by Canvest ECT. The specific service fees, timing of payment and payment method shall be set out in the individual MAS Agreements.

Pricing principles: The service fees and other terms under the individual MAS Agreements shall be fair, reasonable and on normal commercial terms. Specifically, the service fees shall be determined based on the actual monitoring and audit services required, the type of subject machineries and relevant maintenance works to be carried out, location of machineries, and taking into reference the fair and reasonable market price and fees of similar services chargeable by other service providers.

In practice, prior to entering into any individual MAS Agreement, the business department would conduct market research and obtain quotations from external independent service providers for the monitoring and audit services required, and compare the scope of work and price against that in the individual MAS Agreements. If the prices and terms under the individual MAS Agreements are no less favourable to the Group than those under the external quotations, an application approval form setting out the details will then be prepared and submitted to the vice president of business department for approval. The approval form will then be submitted to the vice president of the operation department and the chief executive officer of the Company for approval.

Upon obtaining the approval, a standard contract approval form adopted by the Group for all transactions will then be prepared by the business department in respect of the individual MAS Agreements. The standard contract approval form will set out the terms of the individual MAS Agreements, which will then be submitted to the vice president of the finance department, vice president of the business department, manager from the legal department, the Company's company secretary and chief executive officer for approval.

Lastly, as the individual MAS Agreements constitute a connected transaction of the Company, it will be submitted to the Board for approval whereby the interested Directors will abstain from voting.

HISTORICAL TRANSACTION AMOUNTS

During the three years ended 31 December 2019, 2020 and 2021, there was no transaction between Canvest ECT and the Company for the services under the MAS Framework Agreement.

PROPOSED ANNUAL CAPS

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

	From the date of this announcement to 31 December 2022 (RMB)	For the financial year ending 31 December 2023 (RMB)		2024 (RMB)	1 January 2025 to 6 February 2025 (RMB)
Annual caps	6,500,000	7,000,000	7,500,000		670,000

The proposed annual caps above have been determined based on: (i) the number of WTE plants in operation, the type of machineries included, the scope and frequency of inspection and maintenance works planned to be done by the Group in the coming years which could satisfy the primary objective of cost control, and thereby the Group's demand for the relevant monitoring and audit services; (ii) historical costs incurred by the Group for maintenance of its machineries, and therefore the projected fees required for monitoring and audit services, taking into account proposals from different external independent service providers; and (iii) estimated increase in market price for the services to be provided by Canvest ECT in the coming years due to market factors such as increase in labour costs.

In view of the above, the Directors consider that the above proposed annual caps under the MAS Framework Agreement are fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MAS FRAMEWORK AGREEMENT

As part of its services and daily operations, the Group operates and manages a number of WTE plants which require periodic inspection and maintenance. In order to control the cost of inspection and maintenance, reduce the use of consumables, and enhance the safety, stability, economies of scale of such plants, the Group intends to engage external service providers to monitor and audit the relevant inspection and maintenance works performed by the Group or third party contractors. It is expected that the service provider will provide periodic audit reports to the Group on each WTE plant which audit work has been performed. Accordingly, the Group may be able to better observe and analyze its costs spent in the inspection and maintenance works performed, review the suitability and outcome of such works and thereby maintaining the scope and quality of the inspection and maintenance works performed at the optimal level while safeguarding the overall safe operations of the WTE plants. In addition, the WTE plants operated and managed by the Group involves advanced technology and requires specialized and professional services, in which the qualification, technical capabilities and experiences of the monitoring and audit service provider is of great importance. The Group has sourced for and considered proposals from different service providers, and Canvest ECT, which specializes in the provision of power plant operation and management consulting services, had been selected as the best fit for the Group taking into account its expertise in this area, the scope of services and proposed fees, its familiarity with the operations of the Group, and having the most competitive overall proposal that caters for the Group's needs for the monitoring and audit services.

Given that the terms of the MAS 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 MAS 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.

III. BOARD'S APPROVAL

The Board has approved the Sanyang Leasing Framework Agreement and the MAS 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 Sanyang Leasing Framework Agreement and/or the MAS Framework Agreement.

IV. INTERNAL CONTROL MEASURES

In order to effectively implement the Sanyang Leasing Framework Agreement and/or the MAS Framework Agreement and to ensure that the continuing connected transactions contemplated thereunder are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Company will continue to adopt the following internal control measures (which are also currently in place to govern the other continuing connected transactions of the Group):

- (a) the financial department and other relevant departments of the Company will inspect continuously and collect and evaluate regularly the pricing principles, transaction terms and actual transaction amounts under the Sanyang Leasing Framework Agreement and/or the MAS Framework Agreement to ensure that the transactions thereunder are conducted on normal commercial terms no less favourable than those available from independent third parties and that the transaction amounts will not exceed the annual cap before the relevant approval procedures; and
- (b) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and the annual cap under the Sanyang Leasing Framework Agreement and/or the MAS Framework Agreement.

V. INFORMATION OF THE GROUP AND THE CONNECTED PARTIES

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

Sanyang is principally engaged in property development and management in the PRC.

Canvest ECT is principally engaged in the provision of power plant operation and management consulting services in the PRC.

VI. LISTING RULES IMPLICATION

As Sanyang is ultimately held by Mr. CT Lai (an executive Director) and his associates and Mr. CT Lai is interested in Canvest ECT, each of Sanyang and Canvest ECT is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Sanyang Leasing Framework Agreement and/or the MAS Framework Agreement constitute continuing connected transactions of the Company.

As the terms of the individual leasing agreements to be entered into under the Sanyang 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 Sanyang 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 Sanyang Leasing Framework Agreement constitute continuing connected transactions of the Company.

Since the Sanyang Leasing Framework Agreement and the MAS Framework Agreement were entered into between the Company with parties held by the same ultimate beneficial owners within 12 months, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Sanyang Leasing Framework Agreement and those under the MAS Framework Agreement shall be aggregated as if they were one transaction. For the relevant period of the Sanyang Leasing Framework Agreement and MAS Framework Agreement, the aggregate proposed annual caps are set out as follows:

	From the date of this announcement to 31 December 2022 (RMB)	For the financial year ending 31 December 2023 (RMB)	2024 (RMB)	1 January 2025 to 6 February 2025 (RMB)
Annual caps	17,300,000	17,800,000	18,300,000	1,570,000

However, as Sanyang is a controller of Yue Xing, the Sanyang Leasing Framework Agreement covers the portfolio of properties available for leasing under the YX Leasing Framework Agreement and the YX Leasing Framework Agreement have been terminated, the annual caps for the transactions under the YX Leasing Framework Agreement are no longer applicable and shall therefore not be subject to aggregation under Rule 14A.81 of the Listing Rules.

As the highest applicable ratio (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the annual caps for the Sanyang Leasing Framework Agreement and MAS Framework Agreement on an aggregate basis exceeds 0.1% but is less than 5%, the transactions contemplated under the Sanyang Leasing Framework Agreement and MAS Framework Agreement on an aggregate basis 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.

VII. 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
Canvest ECT	Guangdong Canvest Energy Conservation Technology Co., Ltd. [#] (廣東粵豐節能科技有限公司), a company incorporated in the PRC and is held by Mr. Guo Huiqiang [#] (郭惠強), an associate of Mr. CT Lai, as to 51.0% and Mr. CT Lai as to 49.0%
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 Agreement	the individual agreements to be entered into between the Group and Sanyang pursuant to the Sanyang Leasing Framework Agreement for the actual and specific rental of premises
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
MAS Agreement	the individual agreements to be entered into between the Group and Canvest ECT pursuant to the MAS Framework Agreement for the actual and specific monitoring and audit services
MAS Framework Agreement	the framework agreement dated 7 February 2022 entered into between the Company and Canvest ECT in relation to provision of procedural monitoring and audit services in respect of maintenance works for the machineries operated by the Group
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
Sanyang	Dongguan Sanyang Industrial Development Co., Ltd. [#] (東莞市三陽實業發展有限公司), a company incorporated in the PRC and is jointly-owned by Mr. CT Lai and his associate
Sanyang Leasing Framework Agreement	the leasing framework agreement dated 7 February 2022 entered into between the Company and Sanyang in relation to the leasing of premises
Share(s)	ordinary share(s) of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
WTE	Waste-to-energy
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
YX Leasing Framework Agreement	the agreement dated 12 July 2018 and the supplemental agreement dated 3 June 2021 entered into between the Company and Yue Xing in relation to the leasing of certain office premises held by Yue Xing

[#] 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, 7 February 2022

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.