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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)**

### **CONTINUING CONNECTED TRANSACTION WASTE PROCESSING SERVICE AGREEMENT**

#### **THE WASTE PROCESSING SERVICE AGREEMENT**

The Company hereby announces that Canvest Yuezhan Solid, an indirect wholly-owned subsidiary of the Company, entered into the Waste Processing Service Agreement with Dazhou SIIC on 13 March 2023, pursuant to which Canvest Yuezhan Solid agreed to, among other things, transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE Project, dispose of the solidified fly ash generated from Dazhou WTE Project to the landfill and detect and repair of impermeable membranes at the landfill for three years.

#### **OPERATIONS MANAGEMENT AGREEMENT ENTERED INTO PREVIOUSLY AND CATEGORISED AS A DE MINIMIS TRANSACTION**

On 10 September 2022, Canvest Kewei, an indirect wholly-owned subsidiary of the Company, and Dazhou Jiajing which holds 100% equity interest in Dazhou SIIC, entered into the Operations Management Agreement, pursuant to which, among other things, Dazhou Jiajing and Dazhou SIIC entrusted Canvest Kewei to manage and operate Dazhou WTE Project.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Dazhou SIIC is an indirect wholly-owned subsidiary of Sichuan SIIC; and (ii) Dazhou Jiajing is a wholly-owned subsidiary of Sichuan SIIC, which is indirectly held as to 30% by SIIC Environment. SIIC Environment is a subsidiary of SIHL, which is a substantial shareholder of the Company. Accordingly, each of Dazhou SIIC and Dazhou Jiajing is an associate of a connected person of the Company and the entering into of each of the Waste Processing Service Agreement and the Operations Management Agreement constitutes a continuing connected transaction of the Company.

As the Waste Processing Service Agreement and the Operations Management Agreement were entered into within 12 months, the Waste Processing Service Agreement shall be aggregated with the Operations Management Agreement pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Annual Caps of the Waste Processing Service Agreement and the annual caps of the Operations Management Agreement (on both a stand-alone basis and aggregation basis) is less than 0.1%, the entering into of the Waste Processing Service Agreement and the Operations Management Agreement were exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

However, based on internal estimates and the anticipated workload under the Waste Processing Service Agreement, the Directors consider that the actual transaction amount for the Waste Processing Service Agreement is expected to exceed the Annual Caps. In order to fulfil the duties and obligations of Canvest Yuezhan Solid under the Waste Processing Service Agreement, the Board proposed to revise the Annual Caps.

As the highest applicable percentage ratio in respect of the Revised Annual Caps (after aggregating with the annual caps of the Operations Management Agreement) exceeds 0.1% but is less than 5%, the Revised Annual Caps are subject to the reporting, annual review and announcement requirements but are exempted from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

## **WASTE PROCESSING SERVICE AGREEMENT**

The Company hereby announces that Canvest Yuezhan Solid, an indirect wholly-owned subsidiary of the Company, entered into the Waste Processing Service Agreement with Dazhou SIIC on 13 March 2023, pursuant to which Canvest Yuezhan Solid agrees to, among other things, transport approximately 200,000 tonnes of waste from the landfill to Dazhou WTE Project, dispose of the solidified fly ash generated from Dazhou WTE Project to the landfill and detect and repair of impermeable membranes at the landfill for three years.

The principal terms of the Waste Processing Service Agreement are as follows:

<b>Date</b>	13 March 2023
<b>Parties</b>	(1) Canvest Yuezhan Solid (2) Dazhou SIIC
<b>Subject matter</b>	Dazhou SIIC agreed to engage Canvest Yuezhan Solid for the provision of the Waste Processing Services, which involve, among other things, transportation of approximately 200,000 tonnes of waste from the landfill to Dazhou WTE Project, disposal of the solidified fly ash generated from Dazhou WTE Project to the landfill and detection and repairing of impermeable membranes at the landfill for a period of three years.

**Term** Three years commencing on the first date Canvest Yuezhan Solid provides the Waste Processing Services.

**Service Fee** Transportation of waste: RMB29.30 per tonne (VAT inclusive); disposal of solidified fly ash: RMB125.80 per tonne (VAT inclusive); detection and repairing of impermeable membranes: RMB346,800 (VAT inclusive).

Canvest Yuezhan Solid shall provide a performance bond amounted to RMB1,300,000 to Dazhou SIIC within 10 business days prior to the execution of the Waste Processing Service Agreement.

Dazhou SIIC shall pay service fees for transportation of waste and disposal of solidified fly ash every two months.

95% of service fees for detection and repairing of impermeable membranes will be paid upon completion of detection and repairing services while the remaining 5% service fees will be paid 1 year after the completion of repairing services as retention monies.

The service fees under the Waste Processing Service Agreement were negotiated and entered into on an arm's length basis and on normal commercial terms through a tender process and were determined with reference to labour cost, transportation cost and material cost.

### **Revision of Annual Caps under the Waste Processing Service Agreement**

**Annual Caps** The table below sets out the Annual Caps in relation to the Waste Processing Services for the three years ending 31 December 2025:

<b>Year ending 31 December</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Annual Caps ( <i>RMB</i> )	3,500,000	3,000,000	3,000,000

*Note:* the transaction amount for the provision of Waste Processing Services from 13 March 2023 to 30 June 2023 was HK\$2,015,000, based on the unaudited consolidated interim financial information of the Company, which is subject to change and may differ from the figure to be disclosed in the audited consolidated financial statements to be published by the Company.

The Board confirms that as at the date of this announcement, the transaction amount for the provision of Waste Processing Services has not exceeded the Annual Cap for the year ending 31 December 2023.

**Revised Annual Caps** The table below sets out the Revised Annual Caps in relation to the Waste Processing Services for the three years ending 31 December 2025:

<b>Year ending 31 December</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Annual Caps ( <i>RMB</i> )	6,500,000	6,500,000	4,000,000

The Revised Annual Caps were determined based on (i) updated progress of waste recovered from landfill and volume of waste to be transported; (ii) the volume of solidified fly ash resulting from the operations of Dazhou WTE Project to be disposed of; and (iii) the actual transaction amount for the Waste Processing Services from 13 March 2023 to 30 June 2023.

In particular, the progress of waste recovered from landfill and volume of waste to be transported and the volume of solidified fly ash resulting from the operations of Dazhou WTE Project were estimated based on the operational data for the first half of 2023 and the historical operational data of similar projects. In addition, Canvest Yuezhan Solid was selected by Dazhou SIIC as the service provider after a public tender process, in which Canvest Yuezhan Solid had provided the most competitive overall proposal among other bidders taking into consideration its experience and technical capabilities and the proposed commercial terms.

#### **THE OPERATIONS MANAGEMENT AGREEMENT ENTERED INTO PREVIOUSLY AND CATEGORISED AS A DE MINIMIS TRANSACTION**

On 10 September 2022, Canvest Kewei, an indirect wholly-owned subsidiary of the Company, and Dazhou Jiajing which holds 100% equity interest in Dazhou SIIC, entered into the Operations Management Agreement, pursuant to which, among other things, Dazhou Jiajing and Dazhou SIIC entrusted Canvest Kewei to manage and operate Dazhou WTE Project. The principal terms of the Operations Management Agreement are as follows:

<b>Date</b>	10 September 2022
<b>Parties</b>	(1) Canvest Kewei (2) Dazhou Jiajing
<b>Subject matter</b>	Dazhou Jiajing agreed to engage Canvest Kewei for, among other things, the provision of management and operation services for Dazhou Jiajing and Dazhou SIIC in relation to Dazhou WTE Project pursuant to the Operations Management Agreement.
<b>Term</b>	From 10 September 2022 to 31 December 2026. As the term of the Operations Management Agreement is more than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged the Independent Financial Adviser to review the Operations Management Agreement and the Independent Financial Adviser has confirmed that the term is in line with the normal business practice for agreements of this type to be longer than three years.

## **Service Fee**

The service fees to be paid by Dazhou Jiajing include fixed service fees and discretionary bonus. The fixed service fees shall be no more than RMB2,999,000 per year (VAT inclusive).

Canvest Kewei shall pay RMB1,000,000 to Dazhou Jiajing as performance security deposit within five business days after the entering into of the Operations Management Agreement, and such deposit shall be refunded to Canvest Kewei within ten business days after the completion of the Operations Management Agreement.

Dazhou Jiajing shall pay fixed service fees to Canvest Kewei quarterly and discretionary bonus (if any) after the completion of the annual audit by Dazhou Jiajing.

The service fees under the Operations Management Agreement were negotiated and entered into on an arm's length basis and on normal commercial terms through a tender process and was determined with reference to labour cost and potential miscellaneous costs.

## **Annual caps and basis of determination of the service fees under the Operations Management Agreement**

The Company has set the following annual caps in relation to the Operations Management Agreement:

<b>Year ending 31 December</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Annual caps ( <i>RMB</i> )	4,000,000	3,500,000	3,500,000	4,000,000

The above annual caps were determined based on the contracted fixed service fees and discretionary bonus.

In particular, the contracted fixed service fees were estimated based on the historical salary of labour required for managing similar projects. In addition, Canvest Kewei was selected by Dazhou Jiajing as the service provider after a public tender process, in which Canvest Kewei had provided the most competitive overall proposal among other bidders taking into consideration its experience and technical capabilities and the proposed commercial terms.

## **REASONS FOR AND BENEFITS OF THE WASTE PROCESSING SERVICE AGREEMENT**

The Group is principally engaged in the operation and management of WTE plants and provision of intelligent urban environmental hygiene and related services. Leveraging on its experience in operating environmental hygiene projects, the Group will be able to generate a stable stream of revenue by providing operation to the waste transportation and related services.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the Waste Processing Service Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder are on normal commercial term, fair and reasonable and in the interests of the Shareholders as a whole, and (ii) the Waste Processing Service Agreement is in the ordinary and usual course of business of the Group.

## **INFORMATION OF THE GROUP AND THE PARTIES**

### **The Group**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the operation and management of WTE plants and provision of intelligent urban environmental hygiene and related services.

### **Canvest Yuezhan Solid**

Canvest Yuezhan Solid is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Canvest Yuezhan Solid is principally engaged in the provision of intelligent urban environmental hygiene and related services.

### **Dazhou SIIC**

Dazhou SIIC is an indirect wholly-owned subsidiary of Sichuan SIIC, which is owned as to 40% by Sichuan Industrial Revitalization Development Investment Fund Company Limited\* (四川產業振興發展投資基金有限公司), 30% by Wuhan SIIC and 30% by a wholly-owned subsidiary of the Company. Wuhan SIIC is an indirect wholly-owned subsidiary of SIIC Environment. Dazhou SIIC is principally engaged in the operation of the Dazhou WTE Project.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Dazhou SIIC is an indirect wholly-owned subsidiary of Sichuan SIIC; and (ii) Dazhou Jiajing is a wholly-owned subsidiary of Sichuan SIIC, which is indirectly held as to 30% by SIIC Environment. SIIC Environment is a subsidiary of SIHL, which is a substantial shareholder of the Company. Accordingly, each of Dazhou SIIC and Dazhou Jiajing is an associate of a connected person of the Company and the entering into of each of the Waste Processing Service Agreement and the Operations Management Agreement constitutes a continuing connected transaction of the Company.

As the Waste Processing Service Agreement and the Operations Management Agreement were entered into within 12 months, the Waste Processing Service Agreement shall be aggregated with the Operations Management Agreement pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Annual Caps of the Waste Processing Service Agreement and the annual caps of the Operations Management Agreement (on stand-alone basis and aggregation basis) is less than 0.1%, the entering into of the Waste Processing Service Agreement and the Operations Management Agreement were exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

However, based on internal estimates and the anticipated workload under the Waste Processing Service Agreement, the Directors consider that the actual transaction amount for the Waste Processing Service Agreement is expected to exceed the Annual Caps. In order to fulfil the duties and obligations of Canvest Yuezhao Solid under the Waste Processing Service Agreement, the Board proposed to revise the Annual Caps.

As the highest applicable percentage ratio in respect of the Revised Annual Caps (after aggregating with the annual caps of the Operations Management Agreement) exceeds 0.1% but is less than 5%, the Revised Annual Caps are subject to the reporting, annual review and announcement requirements but are exempted from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

## **INTERESTS OF DIRECTORS**

Save for Mr. Feng Jun who had abstained from voting on the Board resolution approving the Waste Processing Service Agreement by virtue of being a management personnel of certain subsidiaries of SIHL, none of the other Directors has a material interest in the Waste Processing Service Agreement.

## **DEFINITIONS**

In this announcement, the following terms shall have the following meanings:

“Annual Caps”	the annual caps in respect of the Waste Processing Service Agreement set by the Company as described under the paragraph headed “Revision of Annual Caps under the Waste Processing Service Agreement” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Canvest Kewei”	Canvest Kewei Enterprise Management (Guangdong) Company Limited* (粵豐科維企業管理(廣東)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Canvest Yuezhao Solid”	Canvest Yuezhao 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), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Dazhou Jiajing”	Dazhou Jiajing Environment Renewable Resource Company Limited* (達州佳境環保再生資源有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of Sichuan SIIC
“Dazhou SIIC”	Dazhou SIIC Environment Protection Co., Ltd* (達州上實環保有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Sichuan SIIC
“Dazhou WTE Project”	Waste-to-energy project located at Dazhou city which is held by Dazhou SIIC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Southwest Securities (HK) Capital Limited, the independent financial adviser engaged by the Company to provide an opinion pursuant to Rule 14A.52 of the Listing Rules, and a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operations Management Agreement”	the agreement dated 10 September 2022 between Canvest Kewei and Dazhou Jiajing, pursuant to which Canvest Kewei agreed to, among other things, provide management and operation services for Dazhou Jiajing and Dazhou SIIC in relation to Dazhou WTE Project
“PRC”	People’s Republic of China
“Revised Annual Caps”	the revised annual caps in respect of the Waste Processing Service Agreement proposed by the Board as described under the paragraph headed “Revision of Annual Caps under the Waste Processing Service Agreement” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company

“Sichuan SIIC”	Sichuan SIIC Environment Protection Co., Ltd* (四川上實生態環境有限責任公司), a company incorporated in the PRC with limited liability and is owned as to 40% by Sichuan Industrial Revitalization Development Investment Fund Company Limited* (四川產業振興發展投資基金有限公司), 30% by Wuhan SIIC and 30% by an indirect wholly-owned subsidiary of the Company
“SIHL”	Shanghai Industrial Holdings Limited (stock code: 363), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company
“SIIC Environment”	SIIC Environment Holdings Ltd. (stock code: 807, BHK.SG), a company incorporated in Singapore with limited liability and a subsidiary of SIHL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“VAT”	Value-added tax in the PRC
“WTE”	waste-to-energy, the process of generating electricity from the incineration of waste
“Waste Processing Service Agreement”	the agreement dated 13 March 2023 between Canvest Yuezhan Solid and Dazhou SIIC, pursuant to which Canvest Yuezhan Solid agreed to provide Waste Processing Services to Dazhou SIIC
“Waste Processing Services”	the services which involve, among other things, transportation of approximately 200,000 tonnes of waste from the landfill to Dazhou WTE Project, disposal of the solidified fly ash generated from Dazhou WTE Project to the landfill and detection and repairing of impermeable membranes at the landfill to be provided by Canvest Yuezhan Solid to Dazhou SIIC under the Waste Processing Service Agreement
“Wuhan SIIC”	Wuhan SIIC Environmental Holdings Limited* (上實環境控股(武漢)有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of SIIC Environment

\* *for identification purposes only*

As at the date of this announcement, the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”) had already been arranged for bulk-printing and as such, details of the revision of Annual Caps under the Waste Processing Service Agreement had not been disclosed in the 2023 Interim Report. The Company shall make continuing disclosure in its subsequent annual and interim reports pursuant to Chapter 14A of the Listing Rules.

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

Hong Kong, 29 September 2023

*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 Kwok Nam and Mr. Lee Tsung Wah Jonathan, as independent non-executive Directors.*