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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)

**CONVERTIBLE LOAN FROM
INTERNATIONAL FINANCE CORPORATION**

The Board announces that on 20 January 2016, the Company entered into the Convertible Loan Agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the Convertible Loan in a principal amount of HK\$465,012,000.

The Convertible Loan (or any portion thereof which shall not have been converted) shall be repaid on the Maturity Date, together with the Make Whole Premium (if any).

IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into Conversion Shares at a Conversion Price of HK\$3.91 per Share (subject to the adjustments as set out in the Convertible Loan Agreement) at any time after the date of the Disbursement and prior to the Maturity Date. If the Company fails to repay any part of the Convertible Loan on the Maturity Date, IFC may continue to exercise its right to convert all or any part of the outstanding principal amount of the Convertible Loan until the date on which the Company has repaid the Convertible Loan in full.

Assuming a Conversion Price of HK\$3.91 per Share, the aggregate principal amount of the Convertible Loan of HK\$465,012,000 is convertible into approximately 118,928,900 Conversion Shares, representing approximately 5.95% of the issued share capital of the Company as at the date of this announcement and approximately 5.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (without taking into account any Shares which may be issued by the Company including Shares which may fall to be issued pursuant to the exercise of options under the Company's Share Option Scheme).

The net proceeds of the Convertible Loan (after deducting the fees and expenses in relation to the obtaining of the Convertible Loan) are estimated to be approximately HK\$457,000,000, which are intended to be used to finance the Company's acquisition, construction and development of waste-to-energy projects and general working capital requirements.

The Conversion Shares will be allotted and issued under the general mandate approved by the shareholders of the Company at the Company's annual general meeting held on 16 June 2015.

Application will be made by the Company to the listing committee of the HKSE for the listing of, and permission to deal in, the Conversion Shares.

INTRODUCTION

The Board announces that on 20 January 2016, the Company entered into the Convertible Loan Agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the Convertible Loan in the aggregate principal amount of HK\$465,012,000.

THE CONVERTIBLE LOAN AGREEMENT

Date: 20 January 2016

Parties: (i) the Company (as borrower)
(ii) IFC (as lender)

Principal Amount: HK\$465,012,000

Disbursement: The Company may request for the Disbursement by delivering to IFC a disbursement request at least 10 Business Days prior to the proposed date of the Disbursement and the Company may not request for more than one Disbursement, which shall be no later than the date falling 6 months from the date of the Convertible Loan Agreement.

Interest: The outstanding principal of the Convertible Loan will bear interest at a rate of 2% per annum. Interest period of the Convertible Loan shall be a period of six months commencing on an Interest Payment Date and ending on the day immediately before the next following Interest Payment Date except that the first interest period shall commence on the date of the Disbursement and end on the day immediately before the next following Interest Payment Date and the last interest period shall commence on the Interest Payment Date immediately before the Maturity Date and end on the Maturity Date. Interest shall accrue from day to day, be pro-rated on the basis of a 360-day year for the actual number of days in the relevant interest period and be payable in arrears on the Interest Payment Date immediately following the end of that interest period or, as applicable, on the Maturity Date.

Prepayment: The Company may not voluntarily prepay the Convertible Loan or any part thereof. Unless otherwise agreed in writing by IFC, the Company shall, within 10 days following the occurrence of a Change of Control, prepay the outstanding principal amount of the Convertible Loan, together with accrued interest, the Make Whole Premium (if any) and all other amounts payable under the Convertible Loan Agreement.

Repayment: The outstanding principal amount of the Convertible Loan shall be repaid on the Maturity Date, together with the Make Whole Premium (if any).

Conversion Price: The Conversion Price is initially HK\$3.91 per Share, subject to customary adjustments for, amongst others, consolidation, subdivision or reclassification of Shares, capitalization of profits and reserves, distributions, rights issues of Shares or option over Shares, rights issues of other securities and issues at less than current market price (except for issue of Shares or other securities pursuant to the Share Option Scheme) as set forth in the Convertible Loan Agreement.

The initial Conversion Price of HK\$3.91 per Share was arrived at after arm's length negotiations between the Company and IFC.

The initial Conversion Price of HK\$3.91 per Share represents:

- (i) a premium of approximately 23.34% to the closing price on the date of the Convertible Loan Agreement; and

- (ii) a premium of approximately 25.56% to the average closing price in the 5 trading days immediately prior to date of the Convertible Loan Agreement.

Voluntary Conversion: IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into Conversion Shares at any time after the date of the Disbursement and prior to the Maturity Date. If the Company fails to repay any part of the Convertible Loan on the Maturity Date, IFC may continue to exercise its right to convert all or any part of the outstanding principal amount of the Convertible Loan until the date on which the Company has repaid the Convertible Loan in full.

Mandatory Conversion: Upon the occurrence of a Mandatory Conversion Trigger Event after the date of the Disbursement and prior to the Maturity Date, the Company has the right to request IFC to convert the outstanding principal amount of the Convertible Loan as follows:

- (i) for the first such conversion, the outstanding principal amount that may be converted into Conversion Shares equals to twice the Minimum Liquidity Level as of the date of determination of the relevant Mandatory Conversion Trigger Event (“**First Mandatory Conversion Shares**”); and
- (ii) for other conversions, the outstanding principal amount that may be converted into Conversion Shares equals to the Minimum Liquidity Level as of the date of determination of the relevant Mandatory Conversion Trigger Event minus the market value of the Conversion Shares which IFC beneficially owns before such determination.

The Company may only exercise up to four times its rights to request IFC to convert the outstanding principal amount of the Convertible Loan into Conversion Shares.

Lock-up Period: Without the prior written consent of the Company, IFC shall not, transfer, sell, create any lien over or dispose of more than 50% of the First Mandatory Conversion Shares within six months after the date when the First Mandatory Conversion Shares are registered on the register of members of the Company.

Ranking of the Conversion Shares: The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the other Shares in issue.

USE OF PROCEEDS

The net proceeds from the Convertible Loan, after deducting the commissions and other estimated expenses payable, will amount to approximately HK\$457,000,000. The Company intends to use the net proceeds to finance the Company's acquisition, construction and development of waste-to-energy projects and general working capital requirements.

CONDITIONS OF DISBURSEMENT OF THE LOAN

The obligation of IFC to make Disbursement is subject to the fulfilment of a number of conditions, including the following key conditions that:

- (i) IFC has received a certificate of incumbency and authority from the Company and an up-to-date copy of a certificate of good standing of the Company;
- (ii) the Company has obtained the listing approval and all necessary authorizations in connection with the execution, delivery, validity and enforceability of, and performance of the Convertible Loan Agreement and Policy Agreement, the conversion, the allotment, issuance and listing on the HKSE of the Conversion Shares and the remittance to IFC of all monies payable with respect to the Convertible Loan Agreement and Policy Agreement;
- (iii) IFC has received legal opinions and other documents addressing matters in connection with the Convertible Loan or the Disbursement;
- (iv) IFC is satisfied that the Company and its subsidiaries maintain an accounting and control system, management information system and books of account and other records, which together adequately reflect truly and fairly the financial condition of the Company and its subsidiaries and the results of their respective operations;
- (v) IFC has received copies of all insurance policies required, and a certification of the Company's insurers or insurance agents confirming that such policies are in full force and effect and all premiums then due and payable under those policies have been paid;
- (vi) IFC has received the commitment fee, front-end fee and portfolio supervision fee as set out in the Convertible Loan Agreement and reimbursement of all invoiced fees and expenses of IFC's counsels or confirmation that those fees and expenses have been paid directly to those counsels;
- (vii) IFC has received a copy of the authorization to the auditors of the Company which authorizes such auditors to communicate directly with IFC regarding the accounts and operations of the Company and its subsidiaries;
- (viii) IFC has received a solvency certificate from the chief financial officer of the Company;

- (ix) the Company has delivered to IFC evidence satisfactory to IFC of appointment of an agent for service of process;
- (x) the Company has completed the social and environmental measures and delivered such relevant documents which are acceptable to IFC;
- (xi) no event of default or no potential event of default as set out in the Convertible Loan Agreement has occurred and is continuing;
- (xii) the proceeds of the Convertible Loan are needed for the purpose described in the Convertible Loan Agreement;
- (xiii) nothing has occurred since the date of the Convertible Loan Agreement which has or could reasonably be expected to have a Material Adverse Effect;
- (xiv) none of the Company or its subsidiaries incurred any material loss or liability since the date of the Convertible Loan Agreement;
- (xv) the representations and warranties made by the Company under the Convertible Loan Agreement remains true and correct on and as of the date of the Disbursement; and
- (xvi) the Company will not violate its memorandum and articles of association, any document to which it is party or by which it is bound or any law, rule, regulation or authorisation as a result of the Disbursement.

EFFECT OF THE SHAREHOLDING STRUCTURE

Assuming a Conversion Price of HK\$3.91 per Share, the aggregate principal amount of the Convertible Loan of HK\$465,012,000 is convertible into approximately 118,928,900 Conversion Shares, representing approximately 5.95% of the issued share capital of the Company as at the date of this announcement and approximately 5.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (without taking into account any Shares which may be issued by the Company including Shares which may fall to be issued pursuant to the exercise of options under the Company's Share Option Scheme).

To the best knowledge of the Company, assuming that there is no change in the issued share capital of the Company prior to the conversion of the Convertible Loan, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full conversion of the full principal amount of the Convertible Loan at the initial Conversion Price of HK\$3.91 per Share, will be as follows:

Name of shareholders	As at the date of this announcement		Assuming full conversion of the Convertible Loan at the Conversion Price of HK\$3.91 per Share	
	No. of Shares interested	Approximate percentage of the issued share capital of the Company	No. of Shares interested	Approximate percentage of the issued share capital of the Company
Best Approach Developments Limited	1,301,652,837 (Note 1)	65.08%	1,301,652,837	61.43%
AEP Green Power, Limited	103,305,678	5.17%	103,305,678	4.88%
IFC	0	0.00%	118,928,900	5.61%
Other shareholders	595,041,485	29.75%	595,041,485	28.08%

Note:

- The entire issued share capital of Best Approach Developments Limited is directly and indirectly held by Harvest Vista Company Limited, whose entire issued share capital held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. Lai Kin Man and Ms. Lee Wing Yee, Loretta as founders and established in accordance with the laws of the British Virgin Islands. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. Lai Kin Man, Ms. Lee Wing Yee, Loretta and the personal trust of Ms. Lee Wing Yee, Loretta (the beneficiaries of which are Ms. Lee Wing Yee, Loretta and her immediate family members).

REASONS FOR ENTERING INTO THE CONVERTIBLE LOAN AGREEMENT

The Company is a leading pure play waste-to-energy provider focused on the development, management and operation of waste-to-energy plants.

The Directors consider that the Convertible Loan will provide the Company with additional funding for the possible acquisition, construction and development of waste-to-energy projects should opportunities arise. Further, if the Conversion Right is to be exercised, the capital base of the Company shall be strengthened.

The Directors consider that the Conversion Price and the terms of the Convertible Loan Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

POLICY AGREEMENT

Upon the first conversion of all or any part of the Convertible Loan, the Company and IFC shall enter into the Policy Agreement.

Pursuant to the Policy Agreement, the Company will give certain covenants and undertakings to IFC in respect of, among others, environmental action plan, insurance coverage and prohibition of Sanctionable Practices, Shell Banks and activities prohibited by resolutions of the United Nations Security Council under Chapter VII of the United Nations Charter. The Company will also have certain reporting and disclosure obligations in relation to the compliance by the Company of IFC's policy reporting covenants including, among others, the social, labor, health and safety, security or environmental incident, accident or circumstance having, or which could reasonably be expected to have, a Material Adverse Effect on the operations by the Company and its subsidiaries.

In respect of any price sensitive information requested by IFC under the Policy Agreement, the Company shall make simultaneous disclosure of such information to IFC and the public and/or the shareholders for the purpose of ensuring equal dissemination of information as required by applicable laws.

GENERAL MANDATE

Pursuant to a general mandate approved by the shareholders of the Company at the Company's annual general meeting held on 16 June 2015 (the "**General Mandate**"), the Company is allowed to allot, issue and deal with a maximum of 400,000,000 Shares. No Shares or convertible securities have been issued by the Company pursuant to the General Mandate prior to the date of this announcement. The Conversion Shares, being a maximum of 118,928,900 Shares to be issued upon the exercise in full of the Conversion Right based on the initial Conversion Price, will be allotted and issued under the General Mandate. As such, the issue of the Conversion Shares is not subject to approval by the shareholders of the Company.

The Company did not conduct any fund raising activities during the last 12 months immediately preceding the date of this announcement.

GENERAL INFORMATION

The Company is a leading pure play waste-to-energy provider focused on the development, management and operation of waste-to-energy plants.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines their policies. IFC's work in more than 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiry, IFC is a third party independent of the Company and of connected persons of the Company.

APPLICATION FOR LISTING

An application will be made to the listing committee for the listing of, and permission to deal in, the Conversion Shares on the HKSE.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

- “Affiliate” with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with, that person (for purposes of this definition, “control” means the power to direct the management or policies of a person, directly or indirectly, whether through the ownership of shares or other securities, by contract or otherwise, provided that the direct or indirect ownership of 30% or more of the voting share or equity capital of a person is deemed to constitute control of that person, and “controlling” and “controlled” have corresponding meanings)
- “Board” the board of Directors
- “Business Day” a day when banks are open for business in Hong Kong and New York
- “Change of Control” any of the following situations:
- (i) Ms. Lee Wing Yee, Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung, as a group, ceases to own, directly and indirectly, at least 51% of both the economic and voting interests in the Company;
 - (ii) any person or group other than Ms. Lee Wing Yee, Loretta, Mr. Lai Kin Man and Mr. Lai Chun Tung shall have obtained the power (whether or not exercised) to elect a majority of the Board;
 - (iii) the Board shall cease to consist of a majority of continuing Directors; or
 - (iv) a “change of control” or similar event shall occur as provided in any other loan or preferred stock documentation relating to the Company
- “Company” Canvest Environmental Protection Group Company Limited, a company incorporated in the Cayman Islands and whose shares are listed on the HKSE

“Conversion Price”	the price per Share, which initially is HK\$3.91, subject to adjustments as set forth in the Convertible Loan Agreement
“Conversion Right”	the right to convert the Convertible Loan into Conversion Shares pursuant to the Convertible Loan Agreement
“Conversion Shares”	the Shares to be allotted and issued by the Company to IFC upon a conversion of the Convertible Loan (or the relevant part thereof) pursuant to the Convertible Loan Agreement
“Convertible Loan”	the convertible loan of HK\$465,012,000 granted by IFC to the Company pursuant to the Convertible Loan Agreement
“Convertible Loan Agreement”	the convertible loan agreement dated 20 January 2016 and entered into between the Company and IFC
“Directors”	the directors of the Company
“Disbursement”	the disbursement of the Convertible Loan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSE”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFC”	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
“Interest Payment Date”	15 June and 15 December in each year
“IRR”	the internal rate of return of a specified percentage per annum on IFC’s investment in the Company pursuant to the Convertible Loan calculated from the date of the Disbursement, and compounded annually, taking into account both the timing and the amounts of all interest (but excluding default interest) accrued on that portion of the Convertible Loan (if any) that has not been converted into Conversion Shares and such amount of front-end fee received by IFC as adjusted pro rata and attributable to such portion of the Convertible Loan that has not been converted into Conversion Shares

“Make Whole Premium”

an amount, calculated by IFC, which would yield a minimum IRR for IFC on the principal amount of the Convertible Loan repaid or prepaid of 7% per annum, calculated from the date of the Disbursement and ending on the date of such repayment or prepayment, as the case may be

“Mandatory Conversion Trigger Event”

on any trading day during the relevant time period set out below, the Trigger Market Price determined on that trading day is at least the multiple of the then prevailing Conversion Price set opposite that time period as follows (“**Benchmark Price**”):

<i>Time period</i>	<i>Benchmark Price</i>
The period commencing from the date of the Disbursement and ending on the first anniversary thereof	Conversion Price x 1.18
The period commencing from the day immediately after the first anniversary of the date of the Disbursement and ending on the second anniversary thereof	Conversion Price x 1.18 x 1.15
The period commencing from the day immediately after the second anniversary of the date of the Disbursement and ending on the third anniversary thereof	Conversion Price x 1.18 x 1.15 ²
The period commencing from the day immediately after the third anniversary of the date of the Disbursement and ending on the fourth anniversary thereof	Conversion Price x 1.18 x 1.15 ³
The period commencing from the day immediately after the fourth anniversary of the date of the Disbursement and ending on the Maturity Date	Conversion Price x 1.18 x 1.15 ⁴

provided that, notwithstanding the occurrence of any of the foregoing events, a Mandatory Conversion Trigger Event shall not be deemed to have occurred unless, during the relevant 30 consecutive trading day-period used in the determination of a Trigger Market Price:

- (i) the Volume Weighted Average Price for each of the last 4 trading days of such 30 consecutive trading day-period is higher than the relevant Benchmark Price; and
- (ii) (A) the number of trading days (if any) on which the Volume Weighted Average Price for each such trading day is less than the relevant Benchmark Price is 7 or less; and (B) the Volume Weighted Average Price for each such trading day (if any) is not less than 95% of the relevant Benchmark Price

“Material Adverse Effect”	a material adverse effect on the Company’s or any of its subsidiaries’ business, operations, property, liabilities, condition (financial or otherwise), prospects or the carrying on of the Company’s or any of its subsidiaries’ business or operations, the implementation of and the ability of the Company to comply with its obligations under the Convertible Loan Agreement
“Maturity Date”	date falling on the fifth anniversary of the date of the Disbursement, provided that if the Maturity Date falls on a day that is not a Business Day, the Maturity Date shall instead fall on the immediately preceding Business Day
“Minimum Liquidity Level”	on any date of determination, an amount equals to (i) the average daily trading value of the Shares in the immediately preceding 90 trading days, multiplied by (ii) 0.25 and (iii) 90
“Policy Agreement”	policy agreement that may be entered into between the Company and IFC
“Sanctionable Practices”	any corrupt practice, fraudulent practice, coercive practice, collusive practice, or obstructive practice, as those terms are defined and interpreted in accordance with the anti-corruption guidelines provided by IFC
“Share(s)”	ordinary share(s) having a par value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 7 December 2014

“Shell Banks”	a bank incorporated in a jurisdiction in which it has no physical presence and which is not an Affiliate of a regulated bank or a regulated financial group
“Trigger Market Price”	on a particular date, the average of the Volume Weighted Average Price for one Share for the 30 consecutive trading days ending on the trading day immediately preceding such date
“Volume Weighted Average Price”	in respect of a Share on any trading day, the order book volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page 1381 HK Equity VAP, provided that on any such trading day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such trading day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding trading day on which the same can be so determined, and provided further that, for the purposes of determining any Volume Weighted Average Price, any direct or indirect trading of Shares by the Company, Ms. Lee Wing Yee, Loretta, Mr. Lai Kin Man, Mr. Lai Chun Tung or any Affiliate of the foregoing persons (or any person executing the trade on behalf of the foregoing persons) shall be disregarded in such determination
“World Bank Group”	the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes
“%”	per cent.

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

Hong Kong, 20 January 2016

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