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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)

SUPPLEMENTAL ANNOUNCEMENT

CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION TO THE LAND DISPOSAL, CARPARK DISPOSAL AND OFFICE BUILDING DISPOSAL

Reference is made to the announcement (the “**Announcement**”) of Canvest Environmental Protection Group Company Limited (the “**Company**”) dated 22 July 2024 in relation to, among others, the Land Disposal, the Smart Parking Disposal and the Office Building Disposal (the “**Disposals**”). Unless otherwise defined, capitalized terms used in this announcement shall bear the same meanings as those defined in the Announcement. The Company would like to provide the shareholders and potential investors of the Company with additional information in relation to the valuations of the underlying assets and financial effects in respect of the Disposals.

VALUATION METHODS ADOPTED FOR THE RESPECTIVE UNDERLYING ASSETS UNDER THE DISPOSALS

The Land Disposal

As disclosed in the Announcement, one of the basis of determining the consideration under the Canvest Kewei Subsidiary S&P Agreement was the appraised value of the underlying assets in the total amount of approximately RMB135 million as at 10 July 2024 based on a valuation report prepared by an independent valuer.

The independent valuer adopted the cost approach, which is an approach measuring the replacement cost or reconstruction cost and depreciation of the valuation object at the time of valuation, and subtracting depreciation from the replacement cost or reconstruction cost. According to the independent valuer, there are only a few comparables in the same district as the Land that also include a building under construction. Due to these factors, the independent valuer is of the view that using the comparative approach, income approach, or hypothetical development approach would be inappropriate for the valuation. Instead, the independent valuer has determined that the cost approach is the most suitable method, taking into consideration the availability of information regarding land acquisition costs and early development expenses in the district, as well as the transparency of construction costs. Therefore, the cost approach provides a more accurate valuation of the Land and the property. The formula for calculating the appraised value of construction is as follows: Appraised value = replacement cost — depreciation

The replacement cost of the relevant properties under valuation comprises the acquisition costs of the Land, the construction costs, the management fees, and the sales costs, investment interests, sales related tax and profits in respect of the Land and the relevant structures on the Land. Typically, the depreciation of buildings includes material depreciation, functional depreciation and economic depreciation. Firstly, the design functions of the buildings related to this valuation can meet the needs of normal use, and there is no adverse impact on the properties, so its functional depreciation is considered not appropriate in this valuation. Secondly, the real estate market situation of the domestic waste integrated treatment plant at the time of this valuation is stable; the market supply and demand relationship is basically balanced; and the factors other than market environment, policies and other buildings have not adversely affected this kind of real estate, therefore the economic depreciation is not taken into account in this valuation. Due to aging, wear and damage caused by the use and natural forces of the buildings under this valuation, material depreciation shall be taken into account in the depreciation of the structures on the Land in this valuation. The material depreciation refers to the aging, wear and damage of buildings caused by use and natural forces.

The Smart Parking Disposal

As disclosed in the Announcement, one of the basis of determining the consideration under the Canvest Technology S&P Agreement was the appraised value of Canvest Technology in the total amount of approximately RMB26 million as at 30 June 2024 based on a valuation report prepared by an independent valuer. In determining the appraised value of Canvest Technology, the asset-based approach was adopted to assess the value of identifiable assets and liabilities as listed in the unaudited consolidated balance sheet of Canvest Technology as of 30 June 2024. This included, *inter alia*, the value of plant and equipment, intangible assets, and other payables. The valuation of the assets was conducted using the replacement cost model.

Among the three generally accepted valuation approaches (namely the income approach, the cost approach and the market approach), the income approach was deemed inappropriate due to Canvest Technology's history of net losses and its plans for downsizing operations. Similarly, the market approach could not be reliably applied because comparable market multiples were not available for the same reasons. Given that Canvest Technology was experiencing losses and downsizing, the asset-based approach was considered the most suitable methodology to determine its fair value, which focuses on the fair value of identifiable assets and liabilities, irrespective of the enterprise's profitability. Since Canvest Technology was experiencing losses and downsizing, the asset-based approach was considered suitable.

Under the asset-based approach, the recorded assets held by Canvest Technology were examined and adjusted to their fair value. Assets such as bank balances, prepayments, inventories, and other receivables were assumed to reasonably represent their fair values as book values. The plant and equipment, along with intangible assets, were valued based on the cost approach, which determines fair value by referencing replacement costs.

Plant and equipment and intangible assets involved assets used in Canvest Technology's normal business operations. Cost approach determining fair value by reference to replacement costs. The fair value of the plant and equipment, intangible assets and fixed assets was RMB8.9 million, while the unaudited consolidated carrying amount was RMB53.3 million.

For other assets and receivables, cash and cash equivalents, and all liabilities, the net book values should approximate to their fair values as of 30 June 2024.

After taking into account all stated liabilities and the shareholder loan to be transferred at nominal value upon completion, an aggregate fair value of RMB26 million was derived for 100% equity interest of Canvest Technology.

The Office Building Disposal

As disclosed in the Announcement, one of the basis of determining the consideration under the KK S&P Agreement was the appraised value of the underlying assets in the total amount of approximately HK\$165 million as at 30 June 2024 based on a valuation report prepared by an independent valuer.

In valuing the property interests for the underlying assets under the Office Building Disposal, the market approach is adopted, as there are several recent market sales of similar properties located in the neighborhood area. The valuer have adopted the market approach which is generally done by comparing recent market transactions of similar properties located in the neighborhood area of the property. Adjustments are considered to reflect the differences in

various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such transactions against the property. This approach is commonly used to value properties where reliable market evidence is available. The table below sets out the valuation key inputs:

No.	Property Address	Key Inputs
1	28th Floor, King Kong Commercial Center, No.9 Des Voeux Road West and a car park space situated at No.P22 on 2nd floor, King Kong Commercial Center, No.9 Des Voeux Road West in Hong Kong	Market unit rates: HKD15,000–17,100/sq.ft. (office); HKD1,500,000–2,000,000/CPS
2	29th Floor, King Kong Commercial Center, No.9 Des Voeux Road West, a car park space situated at No.P12 on 2nd floor, King Kong Commercial Center, No.9 Des Voeux Road West and the flat roof above 29th floor, King Kong Commercial Center, No.9 Des Voeux Road West in Hong Kong	Market unit rates: HKD15,000–17,100/sq.ft. (office); HKD1,500,000–2,000,000/CPS

FINANCIAL EFFECTS OF THE DISPOSALS

The Land Disposal

As disclosed in the Announcement, as a result of the Land Disposal, it is expected that no material gain or loss will be recorded, which was derived from the consideration of RMB135 million under the Canvest Kewei Subsidiary S&P Agreement less the total cost of the land use rights and structures on the Land of RMB135 million as at 30 June 2024.

The Smart Parking Disposal

As disclosed in the Announcement, it is expected that, based on, *inter alia*, the consideration for the Smart Parking Disposal, the unaudited book value of the underlying assets as at 30 June 2024 and the estimated expenses in relation to the Smart Parking Disposal, the Group will record a loss of approximately HK\$43 million as a result of the Smart Parking Disposal. This was derived from the consideration of HK\$30 million under the Canvest Technology S&P Agreement less the net book value of the consolidated net assets of Canvest Technology as at 30 June 2024 before the completion of impairment assessment of HK\$73 million.

The Office Building Disposal

As disclosed in the Announcement, it is expected that, the Group will record a loss of approximately HK\$85 million as a result of the Office Building Disposal. This was derived from the consideration of HK\$165 million under the KK S&P Agreement less the aggregate net book value of the net assets of KK VII (BVI) Limited and KK VIII (BVI) Limited as at 30 June 2024 before the completion of impairment assessment of HK\$250 million.

Save as disclosed above, all other information set out in the Announcement remain unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 7 August 2024

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, as non-executive Director; Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, as independent non-executive Directors.