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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN
ZHONGSHAN GUANGYE**

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that, on 26 November 2019, Kewei, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, pursuant to which Kewei agreed to acquire, and the Vendors agreed to sell, the entire equity interest of Zhongshan Guangye at a total consideration of RMB340,000,000 (approximately HK\$378,284,000) (subject to downwards adjustment).

Zhongshan Guangye owns the concession right to operate the Zhongshan WTE Plant in Zhongshan, Guangdong. The daily municipal solid waste processing capacity of the Zhongshan WTE Plant is 1,040 tonnes.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition exceed 5% but are below 25%, the Acquisition under the Equity Transfer Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 26 November 2019, Kewei, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, pursuant to which Kewei agreed to acquire, and the Vendors agreed to sell, the entire equity interest of Zhongshan Guangye at a total consideration of RMB340,000,000 (approximately HK\$378,284,000) (subject to downwards adjustment).

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

26 November 2019

Parties

Purchaser: Kewei

Vendors: (1) Mr. Zhang She, an Independent Third Party
(2) Shenzhen Guangye

As at the date of this announcement and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Acquisition

Pursuant to the Equity Transfer Agreement, each of Mr. Zhang She and Shenzhen Guangye has agreed to sell 10% and 90% of their equity interest in Zhongshan Guangye, respectively, and Kewei has agreed to purchase the entire equity interest in Zhongshan Guangye, subject to and upon the terms and conditions of the Equity Transfer Agreement.

Consideration, payment terms and basis for the consideration

The Consideration payable by Kewei under the Equity Transfer Agreement shall be RMB340,000,000. The total consideration may be adjusted downwards pursuant to the terms of the Equity Transfer Agreement.

The Consideration shall be paid in cash and will be fully settled upon Completion. The Consideration will be funded by internal resources of the Group.

The Consideration was determined and agreed between the Vendors and Kewei after arm's length negotiations based on normal commercial terms, with reference to, among other things, (i) the synergy brought by the Acquisition; (ii) the financial positions of Zhongshan Guangye (including its net assets), (iii) the current operations and business prospects of Zhongshan Guangye; and (iv) the Valuation Report of Zhongshan Guangye prepared by the Independent Valuer.

Completion

Completion is to take place upon (i) the relevant approval having been granted by the local government with respect to the Acquisition; and (ii) fulfilment of the transfer of shares of Zhongshan Guangye to Kewei being completed.

Upon completion, Zhongshan Guangye will be wholly-owned by Kewei and will be accounted for as an indirect wholly-owned subsidiary of the Company.

VALUATION

The Valuation Report was prepared primarily based on an income approach under the discounted cash flow method. According to the Valuation Report, the estimated value of Zhongshan Guangye as at 31 August 2019 was approximately RMB344,833,000. In this respect, the Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the acquisition of Zhongshan Guangye.

For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions upon which the Valuation Report was based are as follows:

- for Zhongshan Guangye to continue as a going concern, Zhongshan Guangye will continue to carry out all necessary activities for the development of its business;
- the availability of finance will not be a constraint on the forecast growth of Zhongshan Guangye's operations in accordance with the projections;
- market trends and conditions where Zhongshan Guangye operates will not deviate significantly from the economic forecasts in general;
- interest rates and tax rates in the localities for the operation of Zhongshan Guangye will not differ materially from those presently prevailing;
- there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which Zhongshan Guangye operates or intends to operate, which would adversely affect the revenues and profits attributable to Zhongshan Guangye.

The Independent Valuer had also assumed the reasonableness of information provided and relied to considerable extent on such information in arriving at its opinion of value.

Pursuant to Rule 14.62 of the Listing Rules, the Board has reviewed the principal assumptions upon which the Valuation is based and is of the view that the profit forecast has been made after due and careful enquiry.

PricewaterhouseCoopers, the Company's auditor, had also reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows on which the Valuation was based in accordance with the bases and assumptions determined by the directors.

A letter from the Board, dated 26 November 2019 with respect to Rule 14.60(A) of the Listing Rules will be submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix II to this announcement.

A report from PricewaterhouseCoopers, dated 26 November 2019 with respect to the profit forecast as required under Rule 14.62(2) of the Listing Rules will be submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix I to this announcement.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

| Name | Qualification |
|-----------------------------------|---------------------------------|
| PricewaterhouseCoopers | Certified Public Accountants |
| AVISTA Valuation Advisory Limited | Independent professional valuer |

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Independent Valuer and PricewaterhouseCoopers is an Independent Third Party. As at the date of this announcement, none of the Independent Valuer and PricewaterhouseCoopers has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Independent Valuer and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its report/letter and/or all references to its report and name (including its qualification) in the form and context in which they respectively appear.

Having considered the above, the subsequent negotiations between the Vendors and Kewei and the factors described in the paragraph headed "Reasons for and benefits of the Acquisition" below, the Directors consider the consideration and the terms of the Acquisition to be fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

INFORMATION ON ZHONGSHAN GUANGYE

Zhongshan Guangye is a company incorporated in the PRC with limited liability and, as at the date of this announcement, is owned as to 10% by Mr. Zhang She and 90% by Shenzhen Guangye, respectively.

Zhongshan Guangye owns the concession right to operate the Zhongshan WTE Plant in Zhongshan, Guangdong. The daily municipal solid waste processing capacity of the Zhongshan WTE Plant is 1,040 tonnes.

The following table sets out certain audited financial information of Zhongshan Guangye prepared in accordance with the accounting standards generally accepted in the PRC:

| | For the year ended 31 December | |
|--------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(audited)</i> | <i>(audited)</i> |
| Revenue | 98,314 | 83,902 |
| Profit before income tax | 5,895 | 22,931 |
| Profit after income tax | 5,895 | 22,931 |
| Total assets | 741,948 | 719,430 |

The net asset value of the Zhongshan Guangye as at 31 December 2018 was approximately RMB210,006,728.

FINANCIAL IMPACT ON THE GROUP

Upon Completion, Zhongshan Guangye will become an indirect wholly-owned subsidiary of the Company. The assets, liabilities, results and financial positions of Zhongshan Guangye will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board is of the view that the Acquisition will enable the Company to broaden its income source and strengthen its asset base. Most importantly, it is an important step to increase the Group's presence in the Guangdong-Hong Kong-Macao Greater Bay Area.

INFORMATION OF THE VENDORS

Mr. Zhang She

Mr. Zhang She is a natural person and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Zhang She is a third party independent of the Company and its connected persons.

Shenzhen Guangye

Shenzhen Guangye is principally engaged in the development, sales, investment and management of the waste-to-energy equipment, food waste treatment equipment and sewage sludge treatment equipment.

INFORMATION OF THE GROUP

The Group is engaged in the provision of environmental hygiene related services and operation and management of waste-to-energy plants.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition exceed 5% but are below 25%, the Acquisition under the Equity Transfer Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

| | |
|-------------------|---|
| “Acquisition” | the acquisition of the entire equity interest in Zhongshan Guangye pursuant to the terms of the Equity Transfer Agreement |
| “Board” | the board of Directors |
| “Business Day(s)” | a day, excluding public holidays, Saturdays and Sundays on which banks in Hong Kong are open for business throughout their normal business hours |
| “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 |
| “Completion” | the completion of the Acquisition in accordance with the terms of the Equity Transfer Agreement |
| “Consideration” | the consideration of RMB340,000,000 payable by Kewei to the Vendors in respect of the Acquisition |
| “Director(s)” | the director(s) of the Company |

| | |
|--------------------------------|--|
| “Equity Transfer Agreement” | the equity transfer agreement entered into between Kewei, the Vendors and Zhongshan Guangye in relation to the Acquisition dated 26 November 2019 |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | third party who is independent of the Company and connected persons of the Company and their respective associates |
| “Independent Valuer” | AVISTA Valuation Advisory Limited |
| “Kewei” | Canvest Kewei Environmental Investment (Guangdong) Company Limited* (粵豐科維環保投資(廣東)有限公司) (formerly known as Dongguan Kewei Environmental Power Company Limited* (東莞科維環保投資有限公司)), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| “Mr. Zhang She” | Mr. Zhang She (張涉先生), an Independent Third Party |
| “PRC” | People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Shenzhen Guangye” | Shenzhen Guangye Longcheng Environmental Holdings Limited* (深圳市廣業龍澄環保能源(集團)有限公司), a company incorporated in the PRC, which is owned as to 73.43% by Mr. Zhang She and 26.57% by an independent third party |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Valuation” | the valuation of the entire interests of Zhongshan Guangye under the discounted cash flow approach |

| | |
|-----------------------|---|
| “Valuation Report” | the valuation report dated 26 November 2019, issued by the Independent Valuer |
| “Vendors” | Mr. Zhang She and Shenzhen Guangye |
| “WTE” | Waste-to-energy |
| “Zhongshan Guangye” | Zhongshan City Guangye Longcheng Environmental Company Limited* (中山市廣業龍澄環保有限公司), a company incorporated in the PRC with limited liability and is owned as to 10% by Mr. Zhang She and 90% by Shenzhen Guangye as at the date of this announcement |
| “Zhongshan WTE Plant” | the WTE plant operated by Zhongshan Guangye |
| “%” | per cent. |

* *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.*

The transactions between RMB and HK\$ in this announcement were made at the rate of RMB1.00 to HK\$1.1126. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on the date hereof or any other date.

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

Hong Kong, 26 November 2019

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.

APPENDIX I — REPORT FROM PRICEWATERHOUSECOOPERS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE ZHONGSHAN GUANGYE

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.



羅兵咸永道

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF ZHONGSHAN CITY GUANGYE LONGCHENG ENVIRONMENTAL COMPANY LIMITED

TO THE BOARD OF DIRECTORS OF CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 26 November 2019 prepared by AVISTA Valuation Advisory Limited in respect of the appraisal of the fair value of the 100% equity interest in Zhongshan City Guangye Longcheng Environmental Company Limited (the "Zhongshan Guangye") is based. The Valuation is in connection with the acquisition of 100% equity interest in Zhongshan Guangye by Canvest Environmental Protection Group Company Limited (the "Company"), as set out in the Company's announcement dated 26 November 2019 (the "Announcement"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on page 3 of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Zhongshan Guangye.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on page 3 of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on page 3 of the Announcement.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 November 2019

APPENDIX II — LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST ON ZHONGSHAN CITY GUANGYE LONGCHENG ENVIRONMENTAL COMPANY LIMITED



**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)

26 November 2019

The Stock Exchange of Hong Kong Limited
8th Floor,
Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

Dear Sirs,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN
ZHONGSHAN GUANGYE**

We refer to the announcement of the Company dated 26 November 2019 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We refer to the valuation reports prepared by AVISTA Valuation Advisory Limited, an Independent Valuer in relation to the Valuation as at the Valuation Date. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the basis and assumptions based upon which the discounted cash flows in the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible for. We have also reviewed the calculations for the discounted cash flow in the valuation report issued by the Valuer. We have also considered the report from the auditor of the Company, PricewaterhouseCoopers as set out in Appendix I to the Announcement regarding the calculations of the discounted cash flows on which the Valuation was based.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Forecast has been made after due and careful enquiry by us.

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