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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 TRANSACTIONS  
LEASING FRAMEWORK AGREEMENT**

**LEASING FRAMEWORK AGREEMENT**

The Board announces that, on 12 July 2018, the Company entered into the Leasing Framework Agreement with Yue Xing, pursuant to which Yue Xing agreed to lease its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC for a term commencing from 13 July 2018 to 30 June 2021 (both days inclusive).

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yue Xing is jointly-owned by Mr. CT Lai, who is an executive Director of the Company, and his associate. As such, Yue Xing is a connected person of the Company as defined under Chapter 14A of the Listing Rules and accordingly, the transactions contemplated under the Leasing Framework Agreement constitute continuing connected transactions of the Company.

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

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## **PRINCIPAL TERMS OF THE LEASING FRAMEWORK AGREEMENT**

**Date** 12 July 2018

**Parties** (a) Yue Xing (as lessor)  
(b) the Company (as lessee)

**Term** 3 years commencing from 13 July 2018 and ending on 30 June 2021 (both days inclusive).

The Leasing Framework Agreement can be terminated at an earlier date upon mutual agreement between both parties.

**Subject matter** Pursuant to the Leasing Framework Agreement, Yue Xing agreed to lease its offices to the Company and/or its subsidiaries for use as offices or other purposes in the PRC.

The parties will enter into individual leasing agreements for the relevant property leasing provided, in respect of which the general terms and conditions shall be consistent with the Leasing Framework Agreement.

The rent payable by the Company and /or its subsidiaries includes specific rent, property management fees and other fees actually incurred. The specific rent, timing of payment and payment method shall be set out in the individual agreements.

**Pricing principles** The rent and other terms under the individual 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.

## HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts paid by the Group to Yue Xing are set out below:

	<b>for the financial year ended 31 December</b>			<b>for the period from 1 January to 12 July</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent paid by the Group to Yue Xing	1,021	2,105	2,146	1,425

## ANNUAL CAPS AND BASIS OF DETERMINATION

The annual caps for the transactions under the Leasing Framework Agreement are set out as follows:

	<b>for the period from 13 July to 31 December 2018</b>	<b>for the financial year ending 31 December</b>		<b>for the period from 1 January to 30 June 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual caps	3,500	7,000	7,000	3,500

The annual caps above have been determined based on the following: (i) areas of offices owned by Yue Xing which are available for lease at present and the rent level of the premises around those offices; (ii) the estimated increase in rent in the coming three years as compared with the rent in previous years with reference to similar commercial areas in Dongguan; (iii) historical amounts paid by the Group to Yue Xing; and (iv) the Group's expected need of additional additional office space in the foreseeable future.

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

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

The Company is of the view that, entering into the above Leasing Framework Agreement would ensure the stableness of the Group's leased properties and to satisfy future demand of the Group's business from time to time, which is in the interests of the Company as a whole.

The properties to be leased from Yue Xing by the Company and/or its subsidiaries will be used as the premises for its daily operations. Therefore, the above continuing connected transactions are necessary and of continuing nature and will not affect the Company's independence.

The Board (including the independent non-executive Directors) is of the view that the continuing connected transactions contemplated under the Leasing Framework Agreement are in line with the normal commercial principles of mutual benefit and equal value and are entered into in the ordinary and usual course of business of the Company as well as on normal commercial terms; the considerations of such continuing connected transactions are based on market price and are fair and reasonable; such continuing connected transactions do not harm the interests of the Company or its Shareholders, especially those of the minority Shareholders, and are in the interests of the Company and its Shareholders as a whole.

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

## **INTERNAL CONTROL MEASURES**

In order to effectively implement the Leasing Framework Agreement, the Company will adopt the following internal control measures:

- (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 Leasing 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 caps 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 caps under the Leasing Framework Agreement.

## **BOARD'S APPROVAL**

The Board has approved the Leasing 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 Leasing Framework Agreement.

## GENERAL INFORMATION

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

Yue Xing is principally engaged in property development and management in the PRC.

## DEFINITIONS

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

“Board”	the board of Directors
“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
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leasing Framework Agreement”	the leasing framework agreement dated 12 July 2018 entered into between the Company and Yue Xing in relation to the leasing of office premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of PRC
“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
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Yue Xing” Yue Xing Company Limited<sup>#</sup> (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

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

<sup>#</sup> *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, 12 July 2018

*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.*