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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)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 17 February 2017 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe, 300,000,000 Subscription Shares at the Subscription Price of HK\$3.5 per Subscription Share.

The Subscriber is an indirect wholly-owned subsidiary of SIHL, which is a company listed on the Stock Exchange (stock code: 363). SIHL is principally engaged in the business of infrastructure facilities, real estate and consumer products. The controlling shareholder of the Subscriber is one of the largest overseas conglomerate enterprises under the Shanghai municipal government.

The Directors are of the view through the establishment of the strategic partnership between the Company and SIHL, the Company can facilitate its growth and development by leveraging on the projects, technical, operation and financial edges of both parties. It can also raise additional funds to further strengthen the financial position and capital base of the Group.

The Subscription Price of HK\$3.5 per Subscription Share represents:

- (i) a discount of approximately 8.9% to the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on 17 February 2017, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 8.6% to the average closing price of HK\$3.83 per Share in the last five consecutive trading days immediately prior to 17 February 2017, being the date of the Subscription Agreement.

The number of 300,000,000 Subscription Shares represents (i) approximately 14.7% of the existing issued share capital of the Company of 2,034,235,294 Shares as at the date of this announcement; and (ii) approximately 12.9% of the issued share capital of the Company of 2,334,235,294 Shares as enlarged by the allotment and issue of the 300,000,000 Subscription Shares assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Subscription.

The net proceeds from the Subscription will amount to approximately HK\$1,018.1 million, which the Company intends to use for injection into the paid-in capital of the subsidiaries of the Company and additional working capital of the Group.

Shareholders and potential investors should note that the Subscription is subject to the satisfaction of the conditions precedent as set out in the section headed “Conditions of the Subscription” and the Subscriber not having terminated the Subscription Agreement in accordance with the terms thereof. Accordingly, the Subscription may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 17 February 2017 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe, 300,000,000 Subscription Shares at the Subscription Price of HK\$3.5 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

Date: 17 February 2017

Parties: The Company and the Subscriber

The Subscriber

The Subscriber is an indirect wholly-owned subsidiary of SIHL, which is a company listed on the Stock Exchange (stock code: 363). SIHL is principally engaged in the business of infrastructure facilities, real estate and consumer products. The controlling shareholder of SIHL is one of the largest overseas conglomerate enterprises under the Shanghai municipal government. The Subscriber is an investment holding company.

As at the date of this announcement, Thrive Bloom Limited, an indirect, non-wholly owned subsidiary of SIHL, is a Shareholder holding 56,593,000 Shares, representing approximately 2.8% of the existing issued share capital of the Company.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

The Subscriber will become a substantial shareholder of the Company as a result of the Subscription.

Subscription Price

The Subscription Price of HK\$3.5 per Subscription Share represents:

- (i) a discount of approximately 8.9% to the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on 17 February 2017, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 8.6% to the average closing price of HK\$3.83 per Share in the last five consecutive trading days immediately prior to 17 February 2017, being the date of the Subscription Agreement.

The Subscription Price was agreed after arm's length negotiations between the Company and the Subscriber under normal commercial terms and with reference to, among other things, prevailing market conditions. The Directors consider that the Subscription Price is fair and reasonable based on the prevailing market conditions and the Subscription is in the interests of the Company and the Shareholders as a whole.

The net price per Subscription Share will be approximately HK\$3.4.

The Subscription Shares will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the Subscription and thereafter.

Number of the Subscription Shares

The number of 300,000,000 Subscription Shares represents (i) approximately 14.7% of the existing issued share capital of the Company of 2,034,235,294 Shares as at the date of this announcement; and (ii) approximately 12.9% of the issued share capital of the Company of 2,334,235,294 Shares as enlarged by the allotment and issue of the 300,000,000 Subscription Shares assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Subscription.

The aggregate nominal value of the Subscription Shares will be HK\$3,000,000.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

General mandate to allot and issue the Subscription Shares

The Subscription Shares will be allotted and issued upon completion of the Subscription under the general mandate (the "**General Mandate**") granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 16 June 2016 subject to the limit of not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the said annual general meeting. Under the General Mandate, the Directors are authorized to allot and issue up to a maximum of 406,847,058 new Shares.

On 20 January 2016, the Company entered into a convertible loan agreement with International Finance Corporation ("**IFC**"), pursuant to which IFC agreed to lend and the Company agreed to borrow a convertible loan in the principal amount of HK\$465,012,000.

Pursuant to the convertible loan agreement, IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into Shares at an adjusted conversion price of HK\$3.89 per Share. Such conversion shares, being a maximum of 119,540,360 Shares based on the adjusted conversion price, will be allotted and issued under the general mandate approved in the annual general meeting on 16 June 2015. As at the date of this announcement, the convertible loan in the principal amount of HK\$465,012,000 was disbursed and no conversion right has been exercised as at the date of this announcement.

Since the Subscription Price represents a discount of approximately 8.9% to the closing price of the Shares on the date of the Subscription Agreement, upon completion of the Subscription, the adjusted conversion price may be further adjusted pursuant to the terms of the convertible loan agreement. The Company will make appropriate announcement as and when the adjustment occurs.

Taking into account the possible adjustment to the conversion price, the General Mandate will be sufficient for the issue and allotment of the Subscription Shares. Accordingly, the allotment and issue of the Subscription Shares is not subject to Shareholders' approval.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (ii) the warranties in the Subscription Agreement given by the Subscriber remaining true and accurate in all respects, and not misleading in any respect, as given on the date of the Subscription Agreement and at Completion;
- (iii) the warranties in the Subscription Agreement given by the Company remaining true and accurate in all respects, and not misleading in any respect, as given on the date of the Subscription Agreement and at Completion; and
- (iv) all the relevant third party authorizations, approvals, consents, waivers and permits necessary for the entering into of the Subscription Agreement and consummation to the Subscription having been granted, received and obtained.

Completion of the Subscription

Completion shall take place following the due fulfilment of the Conditions, on such date and place as the Parties shall agree. In any event, subject to due fulfilment of the Conditions, Completion shall take place no later than 31 May 2017.

If the above conditions are not satisfied and/or waived in whole or in part by the Subscriber or the Company, as the case may be (save for the condition under paragraph (i) above which cannot be waived) on or before 31 May 2017 (the "**Long Stop Date**") or such later date to be agreed between the Company and the Subscriber, the Subscription will be terminated and the Subscription will not proceed and all obligations and liabilities of the parties to the Subscription Agreement will forthwith cease and determine and no party will have any claim against the others, save for any antecedent breaches of the Subscription Agreement.

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

UNDERTAKING OF THE SUBSCRIBER

The Subscriber has undertaken to the Company that, for a period of 12 months from and inclusive of the date of Completion, it will not transfer any of the Subscription Shares without the prior written consent of the Company.

NOMINATION OF DIRECTOR

Pursuant to the Subscription Agreement, the Company shall appoint a person nominated by the Subscriber as a non-executive Director with effect on a date which shall be within 14 days after the date of completion. The Company will make further announcement on the appointment of such non-executive Director in compliance with the Listing Rules as and when required.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the development, construction, management and operation of waste-to-energy plants.

The net proceeds from the Subscription will amount to approximately HK\$1,018.1 million which the Company intends to use for injection into the paid-in capital of the subsidiaries of the Company and additional working capital of the Group.

The Directors are of the view through the establishment of the strategic partnership between the Company and SIHL, the Company can facilitate its growth and development by leveraging on the projects, technical, operation and financial edges of both parties. It can also raise additional funds to further strengthen the financial position and capital base of the Group.

Accordingly, the Board considers that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

On 17 May 2016, the Company and Wise Power Investment Limited, a wholly-owned subsidiary of China Infrastructure Partners, L.P., entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe 34,235,294 ordinary shares at the subscription price of HK\$3.4 per share. The subscription has been completed on 24 May 2016 and net proceeds of approximately HK\$111.4 million after deducting related expenses, has been received by the Group. As at the date of this announcement, the net proceeds was utilized for the construction of plant and purchase of equipment.

For further information, please refer to the announcements of the Company dated 17 May 2016 and 24 May 2016.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company as at the date of this announcement and the effect on the shareholding structure of the Company upon completion of the Subscription (assuming (i) there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Subscription; and (ii) all 300,000,000 Subscription Shares are issued) are set out below:

	At the date of this announcement		Immediately after completion of the Subscription		Immediately after completion of the Subscription and assuming full conversion of the convertible loan at the adjusted conversion price of HK\$3.89 per Share	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Shareholders						
Best Approach Developments Limited	1,301,652,837 (Note 1)	64.0	1,301,652,837	55.8	1,301,652,837	53.0
AEP Green Power, Limited	128,305,678	6.3	128,305,678	5.5	128,305,678	5.2
IFC	—	—	—	—	119,540,360 (Note 2)	4.9
The Subscriber and its associates	56,593,000 (Note 3)	2.8	356,593,000	15.3	356,593,000	14.5
Other Shareholders	<u>547,683,779</u>	<u>26.9</u>	<u>547,683,779</u>	<u>23.4</u>	<u>547,683,779</u>	<u>22.4</u>
Total	<u>2,034,235,294</u>	<u>100</u>	<u>2,334,235,294</u>	<u>100</u>	<u>2,453,775,654</u>	<u>100</u>

Notes:

- 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 is 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).
- As at the date of this announcement, the convertible loan in the principal amount of HK\$465,012,000 was disbursed.
- As at the date of this announcement, Thrive Bloom Limited, an indirect, non-wholly owned subsidiary of SIHL, is a Shareholder holding 56,593,000 Shares, representing approximately 2.8% of the existing issued share capital of the Company.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Subscription is subject to the satisfaction of the conditions precedent as set out in the section headed “Conditions of the Subscription” and the Subscriber not having terminated the Subscription Agreement in accordance with the terms thereof. Accordingly, the Subscription may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealings in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“associate”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	True Victor Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and is an indirect wholly-owned subsidiary of SIHL
“SIHL”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Stock Exchange (stock code: 363)

“Subscription”	the subscription of 300,000,000 Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 17 February 2017 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$3.5 per Subscription Share
“Subscription Shares”	300,000,000 new Shares to be issued by the Company pursuant to the terms of the Subscription Agreement
“substantial shareholder”	has the same meaning ascribed to it in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 17 February 2017

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.