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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 TRANSACTION
BAOSHAN WTE PROJECT OPERATIONS
MANAGEMENT AGREEMENT**

The Company is pleased to announce that Shanghai Canvest, an indirect wholly-owned subsidiary of the Company, entered into the Operations Management Agreement with SIIC Baojingang on 9 February 2022, pursuant to which SIIC Baojingang entrusted Shanghai Canvest to manage and operate Baoshan WTE Project.

Listing Rules Implications

As at the date of this announcement, SIIC Baojingang is an indirect non-wholly owned subsidiary of SIIC Environment. SIHL is a controlling shareholder of SIIC Environment and also a substantial shareholder of the Company. Accordingly, SIIC Baojingang is a connected person of the Company and the entering into of the Operations Management Agreement constitutes a continuing connected transaction of the Company.

As the highest applicable percentage ratio(s) in respect of the Annual Caps of the Operations Management Agreement exceed 0.1% but is less than 5%, the entering into of the Operations Management Agreement is subject to the reporting, annual review and announcement requirements but is exempted from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

As the term of the Operations Management Agreement exceeds three years, the Independent Financial Adviser has been appointed pursuant to Rule 14A.52 of the Listing Rules and explained, in this announcement, the reason why the Operations Management Agreement required a longer period and confirmed that it is in the ordinary and usual course of business for agreements of this nature to exceed three years pursuant to Rule 14A.52 of the Listing Rules.

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THE OPERATIONS MANAGEMENT AGREEMENT

The principal terms of the Operations Management Agreement are as follows:

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| Date | 9 February 2022 |
| Parties | (1) SIIC Baojingang (2) Shanghai Canvest |
| Subject matter | SIIC Baojingang entrusts Shanghai Canvest responsible for the overall production operation and the maintenance of Baoshan WTE Project and to manage the production area of Baoshan WTE Project from the Production Commencement Date. In addition, Shanghai Canvest shall participate in the installation, testing and preparation works during the Preparation Period. |
| Term | Three years commencing on the Production Commencement Date. |
| Service Fee | In respect of the Preparation Period: (i) labour cost, subject to the number of on-site personnel, together with management fees do not exceed RMB3,270,000 per month; and (ii) training fees and miscellaneous fees on a reimbursement basis. In respect of the Production Period: (i) labour cost and management fees do not exceed RMB3,330,000 per month; and (ii) miscellaneous fees, if any. The Service Fee shall be paid on a monthly basis on or before the 20th day of the following month. |
| Waste for incineration | SIIC Baojingang shall be responsible for providing the waste for incineration. Shanghai Canvest shall not accept waste from any entity other than SIIC Baojingang or such other entity designated by SIIC Baojingang unless agreed by SIIC Baojingang in writing. |
| Electricity produced | Net electricity generated by Baoshan WTE Project shall be sold to the state electricity grid. |

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| Major responsibilities of SIIC Baojingang | SIIC Baojingang shall be responsible for management of the non-production area, cost for annual maintenance and facility upgrade, communication with the relevant authorities, obtaining the necessary approvals and certifications and the insurance cost of the Baoshan WTE Project. |
| Performance assessment | SIIC Baojingang shall evaluate the performance of Shanghai Canvest and may downward adjust the Service Fee or request for early termination of the Operations Management Agreement accordingly. |
| Handover arrangement | Upon the end of the term of the Operations Management Agreement, Shanghai Canvest shall ensure the production facilities are in good operating conditions prior to handing over the production facilities back to SIIC Baojingang and provide a three-month technical support free of charge. |
| Termination | <p>The Operations Management Agreement may be terminated by SIIC Baojingang in writing upon the occurrence of any of the following events, provided that reasonable time has been given to Shanghai Canvest to resolve the issue:</p> <ul style="list-style-type: none"> (a) suspension of operation of the Baoshan WTE Project for more than 15 calendar days without the permission of SIIC Baojingang, other than as a result of maintenance or upgrade prescribed in the Operations Management Agreement; (b) occurrence of threats to the environment, public health, safety and assets as a result of negligence of Shanghai Canvest in operating and managing Baoshan WTE Project; (c) Shanghai Canvest ceases to provide the operation and management service without cause; (d) assignment of the Operations Management Agreement by Shanghai Canvest without the written consent of SIIC Baojingang; (e) the operation and management services or the daily maintenance services provided by Shanghai Canvest falls below standard and Shanghai Canvest fails to rectify within reasonable time; (f) imposition of penalty or claims on SIIC Baojingang as a result of malicious act of Shanghai Canvest; and (g) imposition of penalty or claims on SIIC Baojingang as a result of act of Shanghai Canvest which has material social impact. |

The Operations Management Agreement may be terminated by Shanghai Canvest with not less than 30 days notice if there is default on the part of SIIC Baojingang, which render it impractical for Shanghai Canvest to provide the operation and management service or if SIIC Baojingang fails to settle amount payable without cause for more than three months with outstanding amount of RMB9,000,000 or above.

ANNUAL CAPS AND BASIS OF DETERMINATION OF THE SERVICE FEE

The Company has set the following annual caps in relation to the Operations Management Agreement for the four years ending 31 December 2025:

| Year ending 31 December | 2022 | 2023 | 2024 | 2025 |
|--------------------------------|-------------|-------------|-------------|-------------|
| Annual cap (<i>RMB'000</i>) | 46,000 | 46,000 | 46,000 | 46,000 |

The annual cap for the years ending 31 December 2022, 2023, 2024 and 2025 was determined based on (i) the estimated Production Commencement Date from 30 June 2022 and thereby the duration of the Preparation Period and the Production Period; (ii) the scope and volume of work and the estimated manpower and specialised technicians required for preparation work of Baoshan WTE Project based on its scale and size; (iii) estimated training cost and set-up fee based on the technical complexity of the Baoshan WTE Project and the Group's experience in operating other WTE plants; (iv) the labour cost and corresponding management fees in respect of the period after the Production Commencement Date; (v) the potential miscellaneous costs which may be incurred during the provision of operation and management services to the Baoshan WTE Project such as travelling costs and other disbursements; and (vi) the proposed annual cap for the year ending 31 December 2025 has taken into account the potential delay in Production Commencement Date leading to the term of the Operations Management Agreement running for the full year in 2025.

In particular, the labour cost was estimated based on the historical salary of technicians and other staff required for similar WTE projects in Shanghai municipality and the management fee was estimated based on the technical requirements of the Baoshan WTE Project, the scope and level of specialised operation and management services required, and after arm's length negotiation between the Parties. In addition, Shanghai Canvest was selected by SIIC Baojingang as the service provider of the Management Arrangement after a public tender process, in which Shanghai Canvest had provided the most competitive overall proposal among other bidders taking into consideration its experience and technical capabilities and the proposed commercial terms.

REASONS FOR AND BENEFITS OF THE MANAGEMENT ARRANGEMENT

As a leading integrated urban environmental protection and sanitation solution provider, the Group owns 35 WTE plants in the PRC. Leveraging on its experience in operating WTE plants, the Group will be able to generate a stable stream of revenue by providing operation and management services to Baoshan WTE Project.

In addition, being entrusted to operate Baoshan WTE Project showcases the Group's experience and capability in operating WTE plants which can further enhance the reputation of the Group. Notwithstanding the Company will only provide the operation and management service for three years from Production Commencement Date pursuant to the Operations Management Agreement, the Board intends to renew the Operations Management Agreement upon expiration of its term.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the Operations Management Agreement and the transactions contemplated thereunder are on normal commercial term, fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the Management Arrangement is in the ordinary and usual course of business of the Group.

OPINION OF INDEPENDENT FINANCIAL ADVISER

As the term of the Operations Management Agreement (including the period prior to the Production Commencement Date) exceeds three years, the Independent Financial Adviser has been appointed to explain the reason the Operations Management Agreement requires a longer period and confirm that it is in the ordinary and usual course of business for agreements of this nature to be of such duration pursuant to Rule 14A.52 of the Listing Rules.

In rendering its opinion, the Independent Financial Adviser has relied on the statements, information and representations contained or referred to in this announcement and/or provided by the Company, the Directors and the management of the Company (the "Management"), and taken into consideration of the following factors:

(i) Operation preparatory period is essential for operating complicated and advanced WTE facilities

As advised by the Management, it is considered that the Preparation Period is an essential part and parcel of commercial operation upon the completion of construction of complicated and advanced WTE facilities. It is a normal business practice for WTE projects to hire and train operations personnel, establish customary operational procedures and conduct trial operation before commercial operation.

(ii) Compliance with regulatory and safety standards

It is commercially justifiable and crucial that both Shanghai Canvest and SIIC Baojingang would enter into the Operations Management Agreement with terms that covers the Preparation Period and Production Period, to ensure after Preparation Period, the production facilities and staff would meet the required standards before the trial operation.

(iii) Long-term operations management income

The Independent Financial Adviser noted that the Company intends to renew the Operations Management Agreement upon expiration of the term. As such, the entering into of the Operations Management Agreement with SIIC Baojingang, will enable the Company to secure a long term and stable stream of revenue by providing operation and management services to Baoshan WTE Project throughout the contract period, and possibly beyond the first contract term.

In considering whether it is normal business practice for agreement of similar nature to be of such duration, the Independent Financial Adviser has conducted research, on a best effort basis, and identified 10 agreements or contracts announced by listed companies, involving operations and maintenance services for WTE projects with duration of more than three years. In the course of its review, it is noted that the terms of these agreements or contracts in general have a duration of range from 15 to 30 years. The Independent Financial Adviser also noted that there was a WTE project in Zhongshan entrusted by an independent third party to the Company for the management of the construction and operation of WTE plant, which was of similar nature in terms of operation and lasted for more than three years.

Having considered the factors set out above, the Independent Financial Adviser is of the view that the duration of the Operations Management Agreement, which is longer than three years, is required and it is in line with the normal business practice for agreements of this type to be longer than three years.

INFORMATION ON THE GROUP AND THE PARTIES

The Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is engaged in the operation and management of WTE plants and provision of intelligent urban environmental hygiene and related services.

Shanghai Canvest

Shanghai Canvest is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shanghai Canvest is principally engaged in the provision of the operations management services to Baoshan WTE project.

SIIC Baojingang

SIIC Baojingang is a company incorporated in the PRC with limited liability and owned as to 60% by SIIC Yangtze Delta and 40% by Baowu Environment.

SIIC Yangtze Delta is indirectly owned as to (i) 70% by SIIC Environment, which is owned as to 49.25% by SIHL as at the date of this announcement; and (ii) 30% by the Company. SIIC Environment is a company dually listed on the Stock Exchange (stock code: 807) and the Singapore Stock Exchange (stock code: BHK.SG). SIHL is a company listed on the Stock Exchange (stock code: 363).

Baowu Environment is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of China Baowu Steel Group Corporation Limited* (中國寶武鋼鐵集團有限公司), a company under the direct supervision of The State-owned Assets Supervision and Administration Commission of the State Council.

SIIC Baojingang is principally engaged in the development and operation of the Baoshan WTE project located in Shanghai municipality. The total daily municipal solid waste and food waste processing capacity of this project shall be 3,800 tonnes.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC Baojingang is an indirect non-wholly owned subsidiary of SIIC Environment. SIHL is a controlling shareholder of SIIC Environment and also a substantial shareholder of the Company. Accordingly, SIIC Baojingang is a connected person of the Company and the entering into of the Operations Management Agreement constitutes continuing connected transaction of the Company.

As the highest applicable percentage ratio(s) in respect of the Annual Caps of the Operations Management Agreement exceed 0.1% but is less than 5%, the entering into of the Operations Management Agreement is subject to the reporting, annual review and announcement requirements but is exempted from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

INTERESTS OF DIRECTORS

Save for Mr. Feng Jun who has abstained from voting on the Board resolution approving the Operations Management Agreement by virtue of being a management personnel of certain subsidiaries of SIHL, none of the other Directors has a material interest in the Operations Management Agreement.

DEFINITIONS

In this announcement, the following terms shall have the following meanings:

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| “Annual Caps” | the annual cap in respect of the Operations Management Agreement set by the Company as described under the paragraph headed “Annual Caps and Basis of Determination of the Service Fee” in this announcement |
| “Baoshan WTE Project” | the WTE project under construction and located in Baoshan District, Shanghai municipality and owned by SIIC Baojingang |
| “Baowu Environment” | Baowu Group Environmental Resources Technology Company Limited* (寶武集團環境資源科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of China Baowu Steel Group Corporation Limited* (中國寶武鋼鐵集團有限公司), a company under the direct supervision of The State-owned Assets Supervision and Administration Commission of the State Council |

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| “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 |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Independent Financial Adviser” | Southwest Securities (HK) Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to provide an independent opinion in relation to the length of the term of Operations Management Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Management Arrangement” | the production and operation services entrustment arrangement under the Operations Management Agreement |
| “Operations Management Agreement” | the Baoshan WTE Project Operation Management Agreement* (寶山再生能源利用中心委託生產運行服務協議) dated 9 February 2022 entered into between Shanghai Canvest and SIIC Baojingang |
| “Parties” | SIIC Baojingang and Shanghai Canvest |
| “PRC” | People’s Republic of China |
| “Preparation Period” | The term of the Operations Management Agreement prior to the Production Commencement Date |
| “Production Commencement Date” | the date on which all four production lines of Baoshan WTE Project passed the “72+24 hours” testing |
| “Production Period” | The term of the Operations Management Agreement subsequent to the Production Commencement Date |
| “Shanghai Canvest” | Shanghai Canvest Environmental Company Limited* (上海粵豐環境有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Shareholders” | holder of the share(s) of the Company |

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| “SIHL” | Shanghai Industrial Holdings Limited (stock code: 363), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company |
| “SIIC Baojingang” | Shanghai SIIC Baojingang Environmental Resources Technology Co., Ltd.* (上海上實寶金剛環境資源科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIHL |
| “SIIC Environment” | SIIC Environment Holdings Ltd. (stock code: 807, BHK.SG), a company incorporated in Singapore with limited liability and a subsidiary of SIHL |
| “SIIC Yangtze Delta” | SIIC Yangtze Delta Environmental Resources (Hong Kong) Limited (上實環境長三角環保資源(香港)有限公司), a company incorporated in Hong Kong with limited liability and the Company indirectly holds 30% equity interest of it |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “WTE” | waste-to-energy |

* *for identification purposes only*

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

Hong Kong, 9 February 2022

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 and Mr. Lui Ting Cheong Alexander, 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.