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CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(FORMERLY KNOWN AS NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

新環保能源控股有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE SHARE HELD ON THE RECORD DATE;
APPLICATION FOR WHITEWASH WAIVER;
RESUMPTION OF TRADING
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

Financial adviser to Capital Environment Holdings Limited

Deutsche Bank 

PROPOSED RIGHTS ISSUE AND UNDERWRITING ARRANGEMENTS

The Company proposes to raise not less than approximately HK\$2.13 billion but not more than HK\$2.25 billion before expenses by way of issuing not less than 4,731,504,664 Rights Shares (assuming no outstanding Share Options and Convertible Bonds have been exercised/converted before the Record Date) but not more than 5,003,173,469 Rights Shares (assuming all outstanding Share Options and Convertible Bonds have been exercised/converted in full before the Record Date) by way of Rights Issue at the subscription price of HK0.45 per Rights Share on the basis of one Rights Share for every one existing Share in issue and held by Qualifying Shareholders on the Record Date. The Rights Issue is only available to the Qualifying Shareholders. The Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders, any unsold fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

The Company plans to use the net proceeds from the Rights Issue for funding of merger and acquisitions and other investment opportunities to be identified by the Company, repayment of debts and for the general working capital of the Group.

Beijing Capital (HK) has irrevocably undertaken to the Company that (i) it will remain the beneficial and registered owner of at least the number of Principal Shares; (ii) it will take up and accept the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:00p.m. on the Final Acceptance Date; (iii) it shall exercise its excess rights at least to the extent that would cover the rights entitlements of BC Water, which is 23,210,000 Shares; and (iv) it will not dispose of or transfer or exercise any of the convertible rights under the Convertible Bonds held by it on or before the Final Acceptance Date.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to, on a fully underwritten basis, subscribe or procure subscribers to subscribe for all of the Underwritten Shares not taken up by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares and shall procure to be paid to the Company the subscription price in respect thereof. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “Underwriting Agreements” in this announcement.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:00 p.m. on Wednesday, 27 May 2015. It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 22 May 2015 and the Shares will be dealt with on an ex-rights basis from Tuesday, 26 May 2015.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Listing Rules implications

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the EGM by way of poll.

Whitewash Waiver

Beijing Capital (HK) and BC Water are parties acting in concert with the Underwriter and are beneficially interested in 2,342,128,286 Shares, representing approximately 49.50% of the issued share capital of the Company as at the date of this announcement. If (i) the Underwriter is required to take up any Rights Shares pursuant to its underwriting commitment in connection with the Rights Issue; or (ii) Beijing Capital (HK) and BC Water have taken up and accepted their respective rights entitlement under the Rights Issue and allocated with excess Rights Shares which they applied for, the Underwriter and parties acting in concert with it, namely Beijing Capital (HK) and BC Water may trigger an obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code. Based on the minimum of 4,731,504,664 Rights Shares proposed to be issued, upon the completion of the Rights Issue, assuming that (i) no Qualifying Shareholders (other than Beijing Capital (HK) and BC Water) take up any Rights Shares; and (ii) the number of issued Shares remain unchanged (with no exercise/conversion of outstanding Share Options and/or Convertible Bonds), the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for 2,389,376,378 Rights Shares, which will result in the Underwriter and parties acting concert it, including Beijing Capital (HK) and BC Water be beneficially interested in 7,073,632,950 Shares, representing approximately 74.75% of the enlarged issued share capital of the Company upon completion of the Rights Issue. For illustration purpose only, based on the maximum of 5,003,173,469 Rights Shares proposed to be issued, upon completion of the Rights Issue, assuming that (i) no Qualifying Shareholders (other than Beijing Capital (HK) and BC Water) takes up any Rights Shares; and (ii) the number of issued Shares remains unchanged (save for the full exercise/conversion of outstanding Share Options and/or Convertible Bonds), the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for 2,392,079,666 Rights Shares, which will result in the Underwriter and parties acting in concert with it, including Beijing Capital (HK) and BC Water beneficially interested in 7,614,267,272 Shares, representing approximately 76.09% of the enlarged issued share capital of the Company upon completion of the Rights Issue, thereby triggering an obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it.

In this regard, an application will be made by the Underwriter, Beijing Capital (HK) and BC Water to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will lapse and will not proceed.

The Underwriter and parties acting in concert with it respectively and those who are involved in or interested in the Whitewash Waiver and their respective associates are required by the Listing Rules or the Takeovers Code to abstain for voting on the proposed resolution(s) approving the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder at the EGM. The register of members of the Company will be closed from Wednesday, 20 May 2015 to Thursday, 21 May 2015, to determine the identity of the Shareholders entitled to attend and vote at the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company to HK\$1,500,000,000 divided into 15,000,000,000 Shares to accommodate the Rights Issue.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder. The appointment of the independent financial adviser will be approved by the Independent Board Committee. A further announcement will be made upon the appointment of the independent financial adviser.

A circular containing, among other things, (i) further information on the Rights Issue, the Whitewash Waiver, the Increase in Authorised Share Capital and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in relation to the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder; and (iv) a notice convening the EGM will be despatched to the Shareholders.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to despatch the circular to the Shareholders within 21 days of the date of this announcement, being on or before 5 May 2015. An announcement will be made upon the despatch of the circular.

Subject to the Rights Issue, the Whitewash Waiver, the Increase in Authorised Share Capital and the transactions contemplated thereunder being approved at the EGM, the Company will despatch the Rights Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on the Posting Date.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Rights Issue is conditional upon the fulfillment of the conditions set out below under the sub-section headed “Conditions of the Rights Issue” of this announcement including the granting of the Whitewash Waiver to the Underwriter by the Executive on or before the Posting Date. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the sub-section headed “Termination of the Underwriting Agreement” of this announcement. The Rights Issue is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as the case may be) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from Wednesday, 8 April, 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 22 April 2015.

PROPOSED RIGHTS ISSUE

On 21 April 2015, after trading hours, the Underwriting Agreement was entered into by the Company and the Underwriter. Details of the Rights Issue and underwriting arrangement are set out in this announcement.

Issue statistics

Basis of the Rights Issue:	One Rights Share for every one existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price:	HK\$0.45 per Rights Share
Number of Shares in issue as at the date of this announcement:	4,731,504,664 Shares
Maximum number of new Shares that may be issued upon full exercise/conversion of Share Options and Convertible Bonds:	271,668,805 Shares
Number of Rights Share:	Not less than 4,731,504,664 Rights Shares (assuming no outstanding Share Options and Convertible Bonds have been exercised/converted before the Record Date) but not more than 5,003,173,469 Rights Shares (assuming all outstanding Share Options and Convertible Bonds held by Beijing Capital (HK) have been exercised/converted in full before the Record Date)
Number of Underwritten Shares:	Not less than 2,389,376,378 Rights Shares but not more than 2,392,079,666 Rights Shares
Aggregate nominal value of Shares to be issued:	Not less than HK\$473,150,466 but not more than HK\$500,317,347
Enlarged issued share capital of the Company upon completion of the Rights Issue:	Not less than 9,463,009,328 Shares but not more than 10,006,346,938 Shares

The number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 100% of the existing issued share capital of the Company and 50% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The number of Rights Shares which may be allotted and issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the subscription rights and the conversion rights attaching to the Share Options and the Convertible Bonds on or before the Record Date.

Beijing Capital (HK) has irrevocably undertaken to the Company that (i) it will remain the beneficial and registered owner of the number of Principal Shares and no more than the number of Principal Shares up to the Final Acceptance Date; (ii) it will take up and accept the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:00 p.m. on the Final Acceptance Date; (iii) it shall exercise its excess rights at least to the extent that would cover the rights entitlements of BC Water, which is 23,210,000 Shares; and (iv) it will not dispose of or transfer or exercise any of the convertible rights under the Convertible Bonds held by it on or before the Final Acceptance Date.

If all the subscription rights and the conversion rights attaching to the Share Options and the Convertible Bonds are duly exercised, and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 10,006,346,938 and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 5,003,173,469.

Save for the Share Options and the Convertible Bonds, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

Save as disclosed above, no Shareholder has undertaken to take up his or its entitlement in full or in part of the Rights Shares under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.45 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price of HK\$0.45 per Rights Share represents:

- (i) a discount of approximately 25.0% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 2 April 2015, being the Last Trading Day;
- (ii) a discount of approximately 15.1% to the average closing price of approximately HK\$0.53 per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 13.5% to the average closing price of approximately HK\$0.52 per Share for the last ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 15.1% to the theoretical ex-right price of approximately HK\$0.53 per Share calculated based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (v) a premium of approximately 221.4% to the audited consolidated net tangible asset value per Share of approximately HK0.14 (based on the latest published audited net tangible asset value of the Group as at 31 December 2014 and 4,731,504,664 Shares in issue as at the date of this announcement).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price and the financial requirements of the Company. As the Rights Shares are offered to all Qualifying Shareholders, the Directors considered that the aforesaid discount would attract the Qualifying Shareholders to participate in the Rights Issue and maintain their shareholdings accordingly. The Directors (excluding the independent non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee) consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue and the Underwriting Agreement are conditional upon the satisfaction of the following conditions:

- (a) the passing at the EGM of necessary resolutions by the Independent Shareholders to approve:
 - (i) the Increase in Authorised Share Capital by no later than the Posting Date;
 - (ii) the Rights Issue; and
 - (iii) the Whitewash Waiverin accordance with the Listing Rules and the Takeovers Code, as applicable;
- (b) the granting of the Whitewash Waiver to the Underwriter by the Executive on or before the Posting Date;
- (c) the signing by any two Directors of two copies each of the Rights Issue Documents;
- (d) the registration of one such copy signed by any two Directors of the Rights Issue Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong;
- (e) the posting of the Rights Issue Documents to the Qualifying Shareholders and (subject to the restrictions, if any, under the relevant overseas laws and regulations) the posting of the Prospectus stamped "For Information Only" to the Excluded Holders, in each case, on the Posting Date;
- (f) the Underwriter (and where necessary, its holding companies) having obtained all relevant approvals in accordance with PRC laws and regulations, including but not limited to approvals from the relevant PRC government authorities, as the case may be required in connection with the Rights Issue and the underwriting exercise pursuant to the Underwriting Agreement;
- (g) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement;

- (h) in respect of the warranties and the undertakings contained in the Underwriting Agreement, by the Latest Time for Termination, (A) no material breach of any of the warranties or the undertakings having come to the knowledge of the Underwriter and the Company, and (B) a matter not having arisen which would reasonably be expected to give rise to a material breach or a material claim;
- (i) the passing of the necessary resolution(s) by Beijing Capital Group to approve the entering of the Underwriting Agreement by Beijing Capital and the Underwriter; and
- (j) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment) listings of and permission to deal in the Rights Shares, in nil paid and fully paid forms, by no later than the business day prior to the commencement of trading of the Rights Shares and such permission not being withdrawn or revoked prior to the Latest Time for Termination.

None of the above conditions can be waived. In the event of the conditions (a) to (i) above have not been fulfilled on or before the Posting Date or condition (j) has not been fulfilled on or before the time prescribed above, or if the Underwriting Agreement shall be terminated pursuant to the terms as set out in the paragraph headed “Termination of the Underwriting Agreement” below, all obligations and liabilities of the parties thereunder shall immediately cease and be null and void and no party shall have any claim against the others save for any antecedent breaches, provided however that the Company shall remain liable to pay the costs charges and expenses howsoever of or incidental to the Rights Issue.

Fractional entitlements

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Status of the Rights Shares

Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares. Save as aforesaid, the Rights Shares, when allotted, issued and fully paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in all respects.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges in Hong Kong.

Save for the Underwriter, the Board has not received any information from any substantial Shareholders of their intention to take up the Rights Shares provisionally allotted or offered to them or to be provisionally allotted or offered to them.

Applications for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders, any unsold fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application for excess Rights Shares can be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a pro-rata basis in proportion to the number of excess Rights Shares being applied for under each application.

No preference will be given to topping up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. No reference will be made to the Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owners prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents for completion of the relevant registration with the Company's branch share registrar by 4:30 p.m. on Wednesday, 27 May, 2015.

Certificate for Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by ordinary mail to the Qualifying Shareholders and unsuccessful applicants who have validly accepted and applied for (where appropriate), and paid for the Rights Shares on Monday, 29 June, 2015 at their own risk. Each Shareholder will receive one share certificate for all allotted Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 27 May, 2015. It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 22 May, 2015 and the Shares will be dealt with on an ex-rights basis from Tuesday, 26 May, 2015.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Posting Date. The Company will send only the Prospectus to the Excluded Shareholders (if any) for information purposes only on the same date.

Excluded Shareholder

If, at the close of business on the Record Date, any Shareholder's address on the register of members of the Company is in a place outside Hong Kong, such Overseas Shareholder may not be eligible to take part in the Rights Issue as the Rights Issue Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Company will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules as to the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in that place, not to offer the Rights Shares to the Overseas Shareholders, no provisional allotment of Rights Shares will be made to the Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

For those Overseas Shareholders who are to be excluded from the Rights Issue, the Company will, subject to compliance with the relevant local laws, regulations and requirements, send copies of the Prospectus for information only to these Excluded Shareholders, but the Company will not send the PAL and EAF to such Excluded Shareholders.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Net proceeds after deducting the expenses of sale (if any) will be kept by the Company for its own benefit. Any unsold Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders will be available for excess application.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to payment of stamp duty in Hong Kong.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 20 May 2015 to Thursday, 21 May 2015 for the purpose of, among other things, determining the identity of the Shareholders entitled to attend and vote at the EGM. The register of members of the Company will be closed from Thursday, 28 May 2015 to Tuesday, 2 June 2015 (both days inclusive) for the purpose of, among other things, determining the eligibility for the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholding in the Company will be diluted.

THE REASONS FOR THE RIGHT ISSUE AND USE OF PROCEEDS

Use of proceeds

The estimated net proceeds of the Rights Issue will not be less than approximately HK\$2.11 billion (assuming no outstanding Share Options and Convertible Bonds have been exercised/converted before the Record Date) and not more than HK\$2.24 billion (assuming all outstanding Share Options and Convertible Bonds have been exercised/converted in full before the Record Date). The expenses in relation to the Rights Issue are estimated to be approximately HK\$14.8 million.

The net proceeds of the Rights Issue is expected to be approximately HK\$2.11 billion. The Company intends to apply the net proceeds of the Rights Issue in the following manner:

- Approximately 50% for the investment in ongoing projects and potential acquisitions or investments in waste treatment and waste-to-energy projects in the PRC;
- Approximately 40% for the repayment of debts of the Group; and
- Approximately 10% for general working capital of the Group;

As at the date of this announcement, the Group is principally engaged in provision of waste treatment technologies and services which specialises in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

Capital Environment will continue to maintain good growth situation through the “five-in-one” guiding ideology involving the adjustment, reform, development, innovation and management and apply the funds from the Rights Issue to the comprehensive cultivation of the existing projects. The Group plans to apply the proceeds from the Rights Issue for its ongoing projects as follows:

- to settle the building costs for the household waste incineration power plant project in Quanling, Nanchang, Jiangxi province (“Nanchang Project”) which has just commenced in operation and announced by the Company in its announcement dated 16 January 2015;
- to increase in the investment in the solid waste incineration power generation project in Huizhou, Guangdong province (the “Huizhou Project”) as announced by the Company by announcements dated 19 August 2013 and 2 July 2014 and the circular dated 7 December 2013;

- to increase in the investment in the kitchen waste treatment project located in Yangzhou, Jiangsu (“Yangzhou Project”) as announced by the Company in its announcement dated 6 November 2013 and 17 November 2013; and
- to increase in the investment in the solid waste landfill project in Huludao, Liaoning province (“Huludao Project”) as announced by the Company in its announcement dated 15 September 2014.

The Group actively explored merger and acquisition opportunities in all areas of the environmental protection and alternative energy industry, such as the solid waste incineration and kitchen recycling projects to keep up with the rapid development and continue to reinforce its leading position in the industry. For the implementation of the Group’s business development strategies both within and outside the PRC, in addition to further investment in ongoing projects, the Group will continue to explore strategic investments opportunities, including but not limited joint venture and merger and acquisition opportunities in all areas of the environmental protection and alternative energy industry, with various partners, including third party partners and the Beijing Capital.

The proceeds of the Rights Issue shall be used for the repayment of the Group’s debts, including:

- (a) two fixed-rate long-term loans of HK\$220,000,000 and HK\$150,000,000 with Beijing Capital (HK) to be due in October 2015 and September 2015 respectively;
- (b) a fixed-rate short-term loan of US\$8,000,000 (equivalent to approximately HK\$62,000,000) with Beijing Capital (HK) which is repayable on demand;
- (c) three fixed-rate loans with Beijing Capital (HK) of RMB40,000,000, RMB21,000,000 and RMB36,000,000 (equivalent to approximately HK\$50,000,000, HK\$45,000,000 and HK\$26,250,000 respectively) that will be due in December 2012, August 2013 and August 2013 respectively; and
- (d) a short term bank loan of HK\$372,000,000 due in November 2015.

In addition, the Company will utilize the funds to improve the debts structure so as to reduce its debt ratio and improve the Group’s capital structure.

The Board considers that the Rights Issue is a prudent approach to provide equity funding for the Group’s continuous investment in ongoing projects and long-term growth. The Rights issue also allows all Qualifying Shareholders the opportunity to participate in the fund raising activity, which is in the interests of the Company and the Shareholders as a whole. The Directors consider that the net proceeds of the Rights Issue will also strengthen the Company’s capital base and enhance the Group’s financial resilience, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms.

Based on the above, the Directors (excluding the independent non-executive Directors who will give their view after taking into account the advice of the independent financial adviser) are of the view that the Rights Issue, the Whitewash Waiver is in the interests of the Group and the Shareholders as a whole.

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Description of the equity fund raising activities	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
31 March 2014	Placing of unlisted warrants under general mandate	Net proceeds from the placing was approximately HK\$3.94 million	repayment of loans falling due and as general working capital of the Group	Have been used as intended

Save as mentioned above, the Company has not conducted any other fund raising activities in the past 12 months prior to the date of this announcement.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

The principal terms of the Underwriting Agreement are summarised as below:

Date: 21 April 2015, after trading hours

Underwriter: BCG Chinastar International Limited

Number of Rights Shares being underwritten by the Underwriter: the Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the Underwritten Shares on a fully underwritten basis for not less than 2,389,376,378 Rights Shares (assuming no outstanding Share Options and Convertible Bonds have been exercised/converted before the Record Date) but not more than 2,392,079,666 Rights Shares (assuming all outstanding Share Options and Convertible Bonds have been exercised/converted in full before the Record Date), subject to the terms and conditions of the Underwriting Agreement.

Conditions: Please refer to the paragraph headed “Proposed Rights Issue — Conditions of the Rights Issue” in this announcement.

Lock-up Provisions: The Company has undertaken to the Underwriter that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the Closing Date, the Company shall not (except for allotment or issue of Shares (i) pursuant to the Rights Issue; (ii) upon exercise of the outstanding Share Options; or (iii) upon conversion of the outstanding Convertible Bonds by the holders thereof):

- (a) allot or issue or offer to allot or issue or grant any option, right or warrant (save for the Share Options or share awards granted to the Company's employees) to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (b) buy back, cancel, retire, reduce, redeem, re-purchase, purchase or otherwise acquire any Shares;
- (c) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any such transaction described in paragraphs (a) to (c) above, unless with the prior written consent of the Underwriter.

Commission: Nil

The Underwriter does not underwrite issues of securities in its ordinary course of business.

Terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriter. The Directors (excluding the independent non-executive Directors who will form their views after taking into account the advice of the independent financial adviser) are of the view that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Beijing Capital (HK) is interested in: (i) an aggregate of 2,318,918,286 Shares, representing approximately 49.01% of the issued share capital of the Company as at the date of this announcement; and (ii) the Convertible Bonds, with outstanding principal amount of HK\$78,000,000 as at the date of this announcement.

Beijing Capital (HK) has irrevocably undertaken to the Company that (i) it will remain the beneficial and registered owner of the number of Principal Shares and not more than the number of Principal Shares up to the Final Acceptance Date; (ii) it will take up and accept the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:00 p.m. on the Final Acceptance Date; (iii) it shall exercise its excess rights at least to the extent

that would cover the rights entitlements of BC Water, which is 23,210,000 Shares; and (iv) it will not dispose of or transfer or exercise any of the convertible right under the Convertible Bonds held by it on or before the Final Acceptance Date.

In the event that Beijing Capital (HK) is allocated with excess Rights Shares to the effect that Beijing Capital (HK) and BC Water shall hold over 50.1% of the entire issued share capital of the Company as enlarged by the Rights Shares to be issued under the Rights Issue, Beijing Capital (HK) shall transfer the number of Shares in excess of such 50.1% of the issued share capital of the Company to the Underwriter at the Subscription Price plus any related translation cost after the completion of the Rights Issue.

The Underwriter is a wholly-owned subsidiary of Beijing Capital Group, which in turns holds 54.32% interests in Beijing Capital, which owns the entire issued share capital Beijing Capital (HK).

Termination of the Underwriting Agreement

The Underwriter reserves the right to terminate the underwriting arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to the Latest Time for Termination if:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
 - (ii) any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting focal securities markets; or
 - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
 - (v) the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

- (1) is or will or is likely to have a material adverse effect on the business or financial position of the Group or the Rights Issue; or
- (2) has or will have or is likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(b) there comes to the notice of the Underwriter:

- (i) any matter or event showing any of the warranties was, when given, untrue or misleading or as having been breached in any respect; or
- (ii) any breach by any of the other parties to the Underwriting Agreement of any of their respective obligations or undertakings under the Underwriting Agreement,

then and in any such case the Underwriter may, upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

If prior to the Latest Time for Termination any such notice referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save for any antecedent breaches, provided however that the Company shall remain liable to pay the costs charges and expenses howsoever of or incidental to the Rights Issue.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

INFORMATION OF THE UNDERWRITER

The Underwriter is wholly owned by Beijing Capital Group , a state-owned enterprise owned by the People's Government of Beijing Municipality and directly under the supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality and holds 54.32% interest in Beijing Capital which is a company listed on the Shanghai Stock Exchange and holds the entire issued share capital of Beijing Capital (HK). The Underwriter is principally engaged in investments.

SHAREHOLDING IN THE COMPANY

The table below depicts the possible shareholding structure of the Company as at the date of this announcement and the possible changes upon completion of the Rights Issue, on the basis of the public information available to the Company as of the date of this announcement, after the Directors having made reasonable enquiries and assuming there is no other changes in the shareholding structure of the Company since the date of this announcement:

(i) Assuming no exercise of Share Options and the Convertible Bonds on or before the Record Date

Assuming no new shares (other than the Rights Shares) will be issued and no repurchase of Shares on or before the completion of the Rights Issue:

	At the date of this announcement		Immediately after completion of the Rights Issue assuming full acceptance by Qualifying Shareholders		Immediately after completion of the Rights Issue assuming no acceptance by Qualifying Shareholders (other than Beijing Capital (HK) and BC Water)	
	<i>No. of shares</i>	<i>Approximate percentage</i>	<i>No. of shares</i>	<i>Approximate percentage</i>	<i>No. of shares</i>	<i>Approximate percentage</i>
Shareholders						
Beijing Capital (HK) <i>(Note 1, 2)</i>	2,318,918,286	49.01%	4,637,836,572	49.01%	4,661,046,572	49.26%
BC Water <i>(Note 2)</i>	23,210,000	0.49%	46,420,000	0.49%	23,210,000	0.25%
The Underwriter <i>(Note 1, 2)</i>	—	0.00%	—	0.00%	2,389,376,378	25.25%
Subtotal of the Underwriter and parties acting in concert with it <i>(Note 1)</i>	2,342,128,286	49.50%	4,684,256,572	49.50%	7,073,632,950	74.75%
Other Public Shareholders	2,389,376,378	50.50%	4,778,752,756	50.50%	2,389,376,378	25.25%
Total	<u>4,731,504,664</u>	<u>100.00%</u>	<u>9,463,009,328</u>	<u>100.00%</u>	<u>9,463,009,328</u>	<u>100.00%</u>

Notes:

- Beijing Capital (HK) holds 2,318,918,286 Shares and 268,965,517 Shares are issuable upon conversion of the Convertible Bonds. Beijing Capital (HK) has undertaken that it will not dispose of or transfer or exercise any of the convertible rights under the Convertible Bonds held by it on or before the Final Acceptance Date. Pursuant to the underwriting arrangement, Beijing Capital (HK) has undertaken to take up and accept its rights entitlements and to exercise its excess rights to at least cover the rights entitlements of BC Water.
- Beijing Capital (HK) and BC Water, both wholly-owned by Beijing Capital, together with the Underwriter, wholly-owned by Beijing Capital Group, the controlling shareholder of Beijing Capital, are parties acting in concert.

- (ii) Assuming new Shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue.

Assuming new shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and Convertible Bonds

	At the date of this announcement		After the full exercise of all outstanding Share Options and Convertible Bonds on or before the Record Date		Immediately after completion of the Rights Issue assuming full acceptance by Qualifying Shareholders		Immediately after completion of the Rights Issue assuming no acceptance by Qualifying Shareholders (other than Beijing Capital (HK) and BC Water)	
	No. of shares	Approximate percentage	No. of shares	Approximate percentage	No. of shares	Approximate percentage	No. of shares	Approximate percentage
Shareholders								
Beijing Capital (HK) (Note 1, 2)	2,318,918,286	49.01%	2,318,918,286	46.35%	4,637,836,572	46.35%	4,658,634,296	46.56%
	—	0.00%	268,965,517	5.38%	537,931,034	5.38%	540,343,310	5.40%
BC Water (Note 2)	23,210,000	0.49%	23,210,000	0.46%	46,420,000	0.46%	23,210,000	0.23%
The Underwriter (Note 1, 2)	—	0.00%	—	0.00%	—	0.00%	2,392,079,666	23.91%
Subtotal of the Underwriter and parties acting in concert with it	2,342,128,286	49.50%	2,611,093,803	52.19%	5,222,187,606	52.19%	7,614,267,272	76.09%
Other Share Options holders (Note 3)	—	0.00%	2,703,288	0.05%	5,406,576	0.05%	2,703,288	0.03%
Other Public Shareholders	2,389,376,378	50.50%	2,389,376,378	47.76%	4,778,752,756	47.76%	2,389,376,378	23.88%
Sub-total of public float	<u>2,389,376,378</u>	<u>50.50%</u>	<u>2,392,079,666</u>	<u>47.81%</u>	<u>4,784,159,332</u>	<u>47.81%</u>	<u>2,392,079,666</u>	<u>23.91%</u>
Total	<u>4,731,504,664</u>	<u>100.00%</u>	<u>5,003,173,469</u>	<u>100.00%</u>	<u>10,006,346,938</u>	<u>100.00%</u>	<u>10,006,346,938</u>	<u>100.00%</u>

Notes:

- Beijing Capital (HK) holds 2,318,918,286 Shares and 268,965,517 Shares are issuable upon conversion of the Convertible Bonds. This table is for illustration purpose only as Beijing Capital (HK) has undertaken that it will not dispose of or transfer or exercise any of the convertible rights under the Convertible Bonds held by it on or before the Final Acceptance Date. Pursuant to the underwriting arrangement, Beijing Capital (HK) has undertaken to take up and accept its rights entitlements and to exercise its excess rights to at least cover the rights entitlements of BC Water.
- Beijing Capital (HK) and BC Water, both wholly-owned by Beijing Capital, together with the Underwriter, wholly-owned by Beijing Capital Group, the controlling shareholder of Beijing Capital, are parties acting in concert.
- Other Share Options holders are independent third parties.

(iii) Assuming new Shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options (but not the Convertible Bonds) on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue.

Assuming new shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options (but not the Convertible Bonds)

	At the date of this announcement		After the full exercise of all outstanding Share Options on or before the Record Date		Immediately after completion of the Rights Issue assuming full acceptance by Qualifying Shareholders		Immediately after completion of the Rights Issue assuming no acceptance by Qualifying Shareholders (other than Beijing Capital (HK) and BC Water)	
	No. of shares	Approximate percentage	No. of shares	Approximate percentage	No. of shares	Approximate percentage	No. of shares	Approximate percentage
Shareholders								
Beijing Capital (HK) <i>(Note 1, 2)</i>	2,318,918,286	49.01%	2,318,918,286	48.98%	4,637,836,572	48.98%	4,661,046,572	49.23%
BC Water <i>(Note 2)</i>	23,210,000	0.49%	23,210,000	0.49%	46,420,000	0.49%	23,210,000	0.25%
The Underwriter <i>(Note 1, 2)</i>	—	0.00%	—	0.00%	—	0.00%	2,392,079,666	25.26%
Subtotal of the Underwriters and parties acting in concert with it <i>(note 1)</i>	2,342,128,286	49.50%	2,342,128,286	49.47%	4,684,256,572	49.47%	7,076,336,238	74.74%
Other Share Options holders <i>(Note 3)</i>	—	0.00%	2,703,288	0.06%	5,406,576	0.06%	2,703,288	0.03%
Other Public Shareholders	2,389,376,378	50.50%	2,389,376,378	50.47%	4,778,752,756	50.47%	2,389,376,378	25.24%
Subtotal of public float	2,389,376,378	50.50%	2,392,079,666	50.53%	4,784,159,332	50.53%	2,392,079,666	25.26%
Total	4,731,504,664	100.00%	4,734,207,952	100.00%	9,468,415,904	100.00%	9,468,415,904	100.00%

Notes:

- Beijing Capital (HK) holds 2,318,918,286 Shares and 268,965,517 Shares are issuable upon conversion of the Convertible Bonds. Beijing Capital (HK) has undertaken that it will not dispose of or transfer or exercise any of the convertible rights under the Convertible Bonds held by it on or before the Final Acceptance Date. Pursuant to the underwriting arrangement, Beijing Capital (HK) has undertaken to take up and accept its rights entitlements and to exercise its excess rights to at least cover the rights entitlements of BC Water.
- Beijing Capital (HK) and BC Water, both wholly-owned by Beijing Capital, together with the Underwriter, wholly-owned by Beijing Capital Group, the controlling shareholder of Beijing Capital, are parties acting in concert.
- Other Share Options holders are independent third parties.

Company is expected to satisfy the minimum public float requirement pursuant to Rule 8.08 of the Listing Rules under scenarios (i) to (iii) above.

ADJUSTMENTS TO OUTSTANDING SHARE OPTIONS AND CONVERTIBLE BONDS

The Rights Issue will lead to an adjustment to the conversion price under the Share Options and the Convertible Bonds if there is any outstanding principal amount of the aforesaid convertibles and/or outstanding Share Options after completion of the Rights Issue. The Company will notify the holder thereof and the Shareholders by way of announcement, if and when necessary.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

All time and dates in this announcement are referenced to Hong Kong local time and dates. Dates or deadlines specified in this announcement for events in the timetable below are indicative only and may be extended or varied. Any consequential changes to the anticipated timetable will be announced as and when appropriate.

EVENT

Despatch of Company's circular with notice of the EGM	Tuesday, 5 May 2015
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 19 May 2015
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 19 May 2015
Register of members of the Company closed for the EGM (both days inclusive)	Wednesday, 20 May 2015 to Thursday, 21 May 2015
Record date for the EGM	Thursday, 21 May 2015
EGM.	11 a.m. on Thursday, 21 May 2015
Announcement of results of the EGM to be published on the Stock Exchange website.	Thursday, 21 May 2015
Register of members of the Company re-opens	Friday, 22 May 2015
Last day of dealings in Shares on a cum-rights basis	Friday, 22 May 2015
First day of dealings in Shares on an ex-rights basis.	Tuesday, 26 May 2015
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Wednesday, 27 May 2015
Register of members of the Company closes for the Rights Issue (both days inclusive).	Thursday, 28 May 2015 to Tuesday, 2 June 2015
Record date for the Rights Issue	Tuesday, 2 June 2015
Register of members of the Company re-opens	Wednesday, 3 June 2015
Despatch of the Rights Issue Documents.	Wednesday, 3 June 2015
First day of dealings in nil-paid Rights Shares.	9 a.m. on Friday, 5 June 2015

Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Wednesday, 10 June 2015
Last day of dealings in nil-paid Rights Shares	4 p.m. on Monday, 15 June 2015
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Thursday, 18 June 2015
Underwriting Agreement becoming unconditional	4 p.m. Thursday 25 June 2015
Announcement of results of allotment of the Rights Issue to be published on the Stock Exchange website	Friday, 26 June 2015
Despatch of certificates for fully-paid Rights Shares and refund cheques on or before	Monday, 29 June 2015
Commencement of dealings in full-paid Rights Shares	9 a.m. on Tuesday, 30 June 2015

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 18 June, 2015. Instead, the Latest Time for Acceptance will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event accordingly.

LISTING RULES IMPLICATIONS

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the EGM by way of poll. Certain Directors, namely Mr. Yu Chang Jian, Mr. Liu Xiao Guang and Mr. Cao Guo Xian, are directors and/or hold various senior management positions in the Beijing Capital Group and its subsidiaries. The aforesaid Directors have abstained from voting on the board resolutions approving the Rights Issue and the Whitewash Waiver.

WHITEWASH WAIVER

Beijing Capital (HK) and BC Water are parties acting in concert with the Underwriter and are beneficially interested in 2,342,128,286 Shares, representing approximately 49.50% of the issued share capital of the Company as at the date of this announcement. If (i) the Underwriter is required to take up any Rights Shares pursuant to its underwriting commitment in connection with the Rights Issue; or (ii) Beijing Capital (HK) and BC Water have taken up and accepted their respective rights entitlement under the Rights Issue and allocated with excess Rights Shares which they applied for, the Underwriter and parties acting in concert with it, namely Beijing Capital (HK) and BC Water may trigger an obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code. Based on the minimum of 4,731,504,664 Rights Shares proposed to be issued, upon the completion of the Rights Issue, assuming that (i) no Qualifying Shareholders (other than Beijing Capital (HK) and BC Water) take up any Rights Shares; and (ii) the number of issued Shares remain unchanged (with no exercise/conversion of outstanding Share Options and/or Convertible Bonds), the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for 2,389,376,378 Rights Shares, which will result in the Underwriter and parties acting concert it, including Beijing Capital (HK) and BC Water be beneficially interested in 7,073,632,950 Shares, representing approximately 74.75% of the enlarged issued share capital of the Company upon completion of the Rights Issue. For illustration purpose only, based on the maximum of 5,003,173,469 Rights Shares proposed to be issued, upon completion of the Rights Issue, assuming that (i) no Qualifying Shareholders (other than Beijing Capital (HK) and BC Water) takes up any Rights Shares; and (ii) the number of issued Shares remains unchanged (save for the full exercise/conversion of outstanding Share Options and/or Convertible Bonds), the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for 2,392,079,666 Rights Shares, which will result in the Underwriter and parties acting in concert with it, including Beijing Capital (HK) and BC Water beneficially interested in 7,614,267,272 Shares, representing approximately 76.09% of the enlarged issued share capital of the Company upon completion of the Rights Issue, thereby triggering an obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it.

In this regard, an application will be made by the Underwriter, Beijing Capital (HK) and BC Water to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will lapse and will not proceed.

The Underwriter and parties acting in concert with it respectively and those who are involved in or interested in the Whitewash Waiver and their respective associates are required by the Listing Rules or the Takeovers Code to abstain for voting on the proposed resolution(s) approving the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder at the EGM. The register of members of the Company will be closed from Wednesday, 20 May 2015 to Thursday, 21 May 2015, to determine the identity of the Shareholders entitled to attend and vote at the EGM.

As at the date of this announcement, save for as disclosure in this announcement, (i) the Underwriter and parties acting in concert with it do not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any

derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, nor has received any irrevocable commitment to vote for or against the underwriting arrangement or the Whitewash Waiver; (ii) there is no outstanding derivative in respect of securities in the Company entered into by the Underwriter or any person acting in concert with it; (iii) the underwriting arrangement is subject to the conditions of the underwriting agreement; (iv) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Company or the Underwriter, which might be material to the underwriting arrangement; (v) there is no agreement or arrangement to which the Underwriter or any party acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the underwriting arrangement; and (vi) the Underwriter and parties acting in concert with it have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Except for the Rights Issue, none of the Underwriter and parties acting in concert with it, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of this announcement.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$600,000,000 divided into 6,000,000,000 Shares, of which 4,731,504,664 Shares have been issued and allotted as fully paid. Subject to approval at the EGM, the Company intends to propose to the Shareholders the Increase in Authorised Share Capital. The authorised share capital of the Company will be increased to HK\$1,500,000,000 divided into 15,000,000,000 Shares.

Condition of the Increase in Authorised Share Capital

The Increase in Authorised Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM approving the Increase in Authorised Share Capital.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder. The appointment of the independent financial adviser will be approved by the Independent Board Committee. A further announcement will be made upon the appointment of the independent financial adviser.

A circular containing, among other things, (i) further information on the Rights Issue, the Whitewash Waiver, the Increase in Authorised Share Capital and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in relation to the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder; and (iv) a notice convening the EGM will be despatched to the Shareholders.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to despatch the circular to the Shareholders within 21 days of the date of this announcement, being on or before 5 May 2015. Subject to the Rights Issue, the Whitewash Waiver, the Increase in Authorised Share Capital and the transactions contemplated thereunder being approved at the EGM, the Company will despatch the Rights Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on the Posting Date.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from Wednesday, 8 April, 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 22 April 2015.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Rights Issue is conditional upon the fulfillment of the conditions set out above under the subsection headed “Conditions of the Rights Issue” of this announcement. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the sub-section headed “Termination of the Underwriting Agreement” of this announcement. The Rights Issue is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as the case may be) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“acting in concert”	Has the meaning ascribed thereto in the Codes on Takeovers and Mergers and Share Buy-backs
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Beijing Capital”	北京首創股份有限公司 (Beijing Capital Co., Ltd.), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange
“BC Water”	BC Water Investments Co., Ltd., a company incorporated with limited liability under the laws of British Virgin Islands and an indirect wholly-owned subsidiary of Beijing Capital

“Beijing Capital (HK)”	Beijing Capital (Hong Kong) Limited, a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company, holding approximately 49.01% of the issued share capital of the Company as at the date of this announcement and a wholly-owned subsidiary of Beijing Capital, which is held as to 54.32% by Beijing Capital Group
“Beijing Capital Group”	北京首都創業集團有限公司 (Beijing Capital Group Co., Ltd.), a state-owned enterprise owned by the People’s Government of Beijing Municipality and directly under the supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality and its subsidiaries and a controlling shareholder of Beijing Capital
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business throughout their normal business hours (other than a Saturday, Sunday or public holiday)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Capital Environment Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Convertible Bonds”	The RMB denominated convertible bonds issued by the Company to Beijing Capital (HK), in the aggregate principal amount of the equivalent RMB amount HK\$100,000,000 in two installments, where the first installment of HK\$50 million was issued on 11 September 2012 and the second installment of HK\$50 million was issued on 31 December 2012, the terms of which were amended pursuant to a supplemental deed dated 19 November 2014
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder
“Excluded Shareholder(s)”	the Overseas Shareholder(s) who the Directors, after making enquiry regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholder(s) resides, consider it necessary or expedient to exclude them from the Rights Issue

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Acceptance Date”	Thursday, 18 June 2015, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company and the Underwriter may agree in writing
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$600,000,000 divided into 6,000,000,000 Shares to HK\$1,500,000,000 divided into 15,000,000,000 Shares by the creation of 9,000,000,000 new Shares to be proposed at the EGM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Ms. Chan Yee Wah, Eva, which has been formed to advise the Independent Shareholders in respect of the terms and conditions of the Rights Issue, the Whitewash Waiver and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Underwriter, Beijing Capital (HK), BC Water, any of their associates and parties acting in concert with any of them and Shareholders who are interested in or involved in the Rights Issue, the Underwriting Agreement (save for entitlements of the Rights Issue) and/or the Whitewash Waiver
“Last Trading Day”	7 April 2015, being the last trading day of the Shares prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 18 June 2015 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on Tuesday, 23 June 2015 or such later time as may be agreed between the Company and the Underwriter, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue

“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Principal Shares”	the Shares owned by Beijing Capital (HK) as at the date of the Underwriting Agreement, being 2,318,918,286 Shares
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issue
“Posting Date”	Wednesday, 3 June 2015 or such later date as may be designated by the Company, being the date of posting the Rights Issue Documents to Qualifying Shareholders and the Prospectus to the Excluded Shareholders (if and to the extent legally and practically permissible) for their information
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 2 June 2015 or such other date as may be agreed between the Company and the Underwriter, being the date by reference to which entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue of 4,731,504,664 Rights Shares at the Subscription Price on the basis of one Rights Share for every one existing Share held on the Record Date payable in full on acceptance
“Rights Issue Documents”	the Prospectus, the PAL and the EAF
“Rights Share(s)”	new Share(s) to be allotted and issued under the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) in issue
“Share Options”	the outstanding options to subscribe for 2,703,288 new Shares granted to the Directors and employees of the Group pursuant to the share option scheme approved by the Shareholders on 15 June 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.45 per Rights Share
“Takeovers Code”	the Code on Takeovers and Mergers
“Underwriter”	BCG Chinastar International Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Beijing Capital Group and a underwriter for the Rights Issue

“Underwriting Agreement”	the underwriting agreement dated 21 April 2015 entered into between the Company and the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Rights Issue
“Underwritten Shares”	not less than 2,389,376,378 Rights Shares but not more than 2,392,079,666 Rights Shares, being all Rights Shares deducting the Rights Shares to be allotted to the Underwriter on an assured basis, which have been undertaken to be accepted and subscribed by it pursuant to the Underwriting Agreement
“Whitewash Waiver”	a waiver required to be granted by the Executive pursuant to Note 1 to dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriter to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which may otherwise arise as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Capital Environment Holdings Limited
Yu Chang Jian
Chairman

Hong Kong, 21 April 2015

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Yu Changjian, Mr. Cao Guoxian, Mr. Liu Xiaoguang and Mr. Shen Jianping; and three independent non-executive directors; namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Ms. Chan Yee Wah, Eva.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.