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CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF 40% EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

On 12 November 2015, the Vendor, being an indirectly wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement in relation to the Disposal, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 40% equity interest in BJ Yiqing Biomax, at a consideration of RMB37,478,920 (equivalent to approximately HK\$45,724,282).

Upon the Completion, the Company's equity interest in BJ Yiqing Biomax will decrease from 60% to 20% and BJ Yiqing Biomax will cease to be a subsidiary of the Company. Accordingly, the financial results and position of BJ Yiqing Biomax will cease to be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

Discloseable and connected transaction

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, BJ Yiqing Biomax is a non-wholly owned subsidiary of the Company and the Purchaser is a substantial shareholder of BJ Yiqing Biomax. The Purchaser is a connected person of the Company at the subsidiary level. Further, the Disposal has been approved by the Board and the independent non-executive Directors have confirmed that (i) the terms of the Disposal are fair and reasonable; (ii) the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the Disposal is in the interests of the Company and its Shareholders as a whole. Therefore, the Disposal also constitutes a connected transaction of the Company exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Information relating to profit forecast

As the Valuation Report was prepared on a discounted cash flow basis under the income approach, under Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows will be regarded as a profit forecast.

Deloitte Touche Tohmatsu, the reporting accountant of the Group, has reported to the Directors in respect of the compilation, in accordance with the assumptions described in this announcement, of the discounted future estimated cash flows in connection with the valuation of 100% equity in BJ Yiqing Biomax prepared by the PRC Valuer as set out in the Valuation Report dated 1 July 2015. The Directors are solely responsible for the assumptions described in this announcement and the work performed by Deloitte Touche Tohmatsu did not include any assessment of the reasonableness or validity of these assumptions set out in this announcement. The accountants' report issued by Deloitte Touche Tohmatsu is set out in the Appendix I to this announcement. A letter from DTCFL, the financial adviser of the Company, confirming that it is satisfied that the profit forecast has been made by the Directors after due and careful enquiry, is set out in the Appendix II to this announcement.

WARNING NOTE

Shareholders and potential investors of the Company should note the existence of uncertainties and risks in relation to the Completion. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Shares.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 9 November 2015 and will remain suspended until further notice.

THE DISPOSAL

Reference is made to the Company's announcements dated 16 March 2015 and 9 October 2015 in relation to the Disposal. On 12 November 2015, the Vendor and the Purchaser entered into the Agreement, summary of which is set out below:

Date

12 November 2015

Parties

Vendor: J&B Environment Limited (安柏環保工程有限公司)

Purchaser: Beijing Environment Sanitation Engineering Group Company Limited*
(北京環境衛生工程集團有限公司)

Subject matter

Pursuant to the terms and conditions contemplated in the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares.

Consideration and payment terms

The consideration for the Sale Shares, being RMB37,478,920 (equivalent to approximately HK\$45,724,282), shall be settled in cash within 3 days after the Disposal is approved by the Approving Authorities.

The consideration was determined with reference to the bidding price offered by the Purchaser at the Public Auction, the appraised value of BJ Yiqing Biomax and other considerations such as the prospects of the business of the Group. The appraisal was conducted by the PRC Valuer as required by the relevant laws and regulations in relation to transfer of state-owned assets and such appraisal has been approved by and/or registered with Beijing SASAC and/or other relevant authorities accordingly.

Conditions

Completion is subject to the following conditions precedent being fulfilled by the relevant parties to the Agreement:

- (i) Vendor has completed the Public Auction according to the requirements under relevant laws, regulations and policies of the PRC;
- (ii) Purchaser has fulfilled the approval or authorisation procedures in accordance with the relevant laws and regulations and its constitution documents in respect of the Disposal; and
- (iii) Vendor and its shareholders have complied with all relevant requirements under the Listing Rules in relation to the Disposal.

No parties to the Agreement are able to waive any of the above conditions.

Completion

As at the date of this announcement, all of the above conditions have been fulfilled.

Pursuant to the Agreement, the Vendor and the Purchaser shall, among others, (i) submit applications to the Approving Authorities for the approval of the Disposal; (ii) address any reasonable requests and inquiries from the Approving Authorities on a best effort basis; and (iii) procure BJ Yiqing Biomax to apply to the Registration Authorities for the necessary share transfer registration for the Disposal.

INFORMATION ON THE PURCHASER

The Purchaser is a state-owned enterprise directly under the administration of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Together with its subsidiaries, the Purchaser principally engages in the provision of a wide range of environmental sanitation services in Beijing, the PRC including cleaning of public areas; custodian services for public events; collection, transportation and processing of solid waste; and other services related to urban development and public health such as design consultation and special vehicle manufacturing.

INFORMATION ON BJ YIQING BIOMAX

BJ Yiqing Biomax is a limited liability company incorporated in the PRC and is owned as to 60% and 40% by the Vendor and the Purchaser respectively on the date of this announcement. BJ Yiqing Biomax primarily engages in the municipal solid waste recycling treatment through the operation of the Beijing Plant.

FINANCIAL INFORMATION ON BJ YIQING BIOMAX

Set out below is the audited financial information of BJ Yiqing Biomax prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2013	2014
	(HK\$'000)	(HK\$'000)
Revenue	10,353	92,968
Profit before taxation	196,705	1,954
Profit after taxation	196,705	1,954

Based on the audited financial information of BJ Yiqing Biomax prepared in accordance with the Hong Kong Financial Reporting Standards, BJ Yiqing Biomax has generated profit of approximately HK\$196.71 million and HK\$1.95 million for the years ended 31 December 2013 and 2014, respectively. The profit for the year ended 31 December 2013 was primarily a result from the reversal of provision for expected loss and the reversal of provision for penalty charges of approximately HK\$83.33 million and HK\$103.41 million, respectively.

According to the unaudited financial statements of BJ Yiqing Biomax prepared in accordance with the Hong Kong Financial Reporting Standards, the net asset value of BJ Yiqing Biomax was approximately RMB93.70 million (equivalent to approximately HK\$114.31 million) as at 30 June 2015, which represents approximately RMB37.48 million (equivalent to approximately HK\$45.73 million) in respect of the Sale Shares. The appraised value of BJ Yiqing Biomax was approximately RMB93.70 million (equivalent to approximately HK\$114.31 million) as at 31 December 2014, which represents approximately RMB37.48 million (equivalent to approximately HK\$45.73 million) in respect of the Sale Shares.

FINANCIAL IMPACT ON THE GROUP AND USE OF PROCEEDS

Upon the Completion, the Company's equity interest in BJ Yiqing Biomax will decrease from 60% to 20% and BJ Yiqing Biomax will cease to be a subsidiary of the Company. Accordingly, the financial results and position of BJ Yiqing Biomax will cease to be consolidated into the financial statements of the Company.

The Group expects that there will be no material gain or loss arising from the Disposal, being the difference between (i) the consideration of the Disposal; and (ii) the unaudited net asset value attributable to the Sale Shares of approximately RMB37.48 million (equivalent to approximately HK\$45.73 million) as at 30 June 2015 and any transaction related expenses. The Directors expected that the Group will record a disposal loss of approximately RMB0.90 million (approximately HK\$1.10 million) relating to the Disposal. Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained with reference to the carrying value of the Sale Shares upon the Completion and the actual costs and expenses associated with the Disposal.

The estimated net proceeds of RMB36.58 million (equivalent to approximately HK\$44.63 million) from the Disposal, after deducting the relevant transaction costs and expenses, will be used by the Group in the following manner:

- (i) approximately 85% of the net proceeds, being approximately RMB31.09 million (equivalent to approximately HK\$37.93 million) will be used for the investment in ongoing projects in waste treatment and waste-to-energy projects in the PRC; and
- (ii) approximately 15% of the net proceeds, being approximately RMB5.49 million (equivalent to approximately HK\$6.70 million) will be used for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group principally engages in the provision of waste treatment technology and service which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy project.

The capital invested in BJ Yiqing Biomax by the Vendor amounted to approximately RMB56.21 million as of the date of this announcement, which represents approximately RMB37.47 million in respect of the Sale Shares. The consideration of the Disposal of approximately RMB37.48 million will allow the Group to realize the capital invested in the Sale Shares.

In addition, certain plant facilities of the Beijing Plant are still under trial operation as at the date of this announcement and further investment is required so as to bring the Beijing Plant into full operation. After the Disposal, the amount of investment the Group is obligated to contribute in relation to the operation of the Beijing Plant is expected to decrease in line with the reduction of its shareholding in BJ Yiqing Biomax. Upon Completion, BJ Yiqing Biomax will cease to be a subsidiary of the Company and more financial resources and management efforts could be reallocated to other potential investments which could derive more attractive returns to the Group.

The Board considers that the performance of BJ Yiqing Biomax is yet to meet the Group's expectation. While it is uncertain that the business of BJ Yiqing Biomax will deliver value to the Shareholders in the absence of a timely transition, the Beijing Plant has showcased the knowhow and technologies invested by the Group over the past years and the Group would like to retain 20% of interest in BJ Yiqing Biomax in order to capitalize on any potential return of BJ Yiqing Biomax in the future. Meanwhile, the Board considers that the Disposal will allow the Group to realize the Sale Shares and allocate proceeds from the Disposal to other investment opportunities and improve the financial position of the Group.

Based on the foregoing, the Directors are of the view that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Discloseable and connected transaction

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, BJ Yiqing Biomax is a non-wholly owned subsidiary of the Company and the Purchaser is a substantial shareholder of BJ Yiqing Biomax. The Purchaser is a connected person of the Company at the subsidiary level. Further, the Disposal has been approved by the Board and the independent non-executive Directors have confirmed that (i) the terms of the Disposal are fair and reasonable; (ii) the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the Disposal is in the interests of the Company and its Shareholders as a whole. Therefore, the Disposal also constitutes a connected transaction of the Company exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Disposal and therefore no one has abstained from voting on the board resolutions in respect of the Disposal.

Information relating to profit forecast

As the Valuation Report was prepared on a discounted cash flow basis under the income approach, under Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows will be regarded as a profit forecast. The principal assumptions adopted in the Valuation Report on BJ Yiqing Biomax prepared by the PRC Valuer are set out as follows:

- (i) there is no material change in the prevailing national principals and policies, and there is no material change in the prevailing laws and regulations, systems, socio-political environment and economic policies in the PRC;
- (ii) prevailing interest rates, exchange rates and tax policies remain unchanged or as expected;
- (iii) there is no material adverse change in the macro-economic environment in which BJ Yiqing Biomax operates (such as political unrest, financial crisis, hyperinflation, etc.), and that the business activities and services provided by BJ Yiqing Biomax are in compliance with the industrial policies and advocacy direction of the PRC;

(iv) during the period under forecast, BJ Yiqing Biomax maintains its normal operations on an on-going basis (until relevant business agreements expire), and there is no substantive changes in its principal business activities; and there is no material adverse impact from other force majeure or unforeseeable factors on BJ Yiqing Biomax's business operation.

Deloitte Touche Tohmatsu, the reporting accountant of the Group, has reported to the Directors in respect of the compilation, in accordance with the assumptions described above, of the discounted future estimated cash flows in connection with the valuation of 100% equity in BJ Yiqing Biomax prepared by the PRC Valuer as set out in the Valuation Report dated 1 July 2015. The Directors are solely responsible for the assumptions described above and the work performed by Deloitte Touche Tohmatsu did not include any assessment of the reasonableness or validity of these assumptions set out in this announcement. The accountants' report issued by Deloitte Touche Tohmatsu is set out in the Appendix I to this announcement. A letter from DTCFL, the financial adviser of the Company, confirming that it is satisfied that the profit forecast has been made by the Directors after due and careful enquiry, is set out in the Appendix II to this announcement.

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

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants in Hong Kong
DTCFL	a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

Deloitte Touche Tohmatsu and DTCFL have given and have not withdrawn their respective written consent to the issue of this announcement with the inclusion of their respective letter and reference to their respective name in the form and context in which they respectively appears.

As at the date of this announcement, each of Deloitte Touche Tohmatsu and DTCFL was not interested in any shareholding in any member of the Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shareholding in any member of the Group.

WARNING NOTE

Shareholders and potential investors of the Company should note the existence of uncertainties and risks in relation to the Completion. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Shares.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 9 November 2015 and will remain suspended until further notice.

DEFINITIONS

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

“Agreement”	the asset and equity transaction contract dated 12 November 2015 entered into between the Vendor and the Purchaser in relation to the Disposal
“Approving Authorities”	Ministry of Commerce of the PRC (中華人民共和國商務部), China Securities Regulatory Commission (中國證券監督管理委員會) and other local authorities or authorised agencies empowered with the approval authority in accordance with relevant laws and regulations
“Beijing Equity Exchange”	China Beijing Equity Exchange (北京產權交易所), an equity trading institution approved by the People’s Government of Beijing Municipality (北京市人民政府) which established complete regulations, rules and systems in relation to, among others, transactions of state-owned equity
“Beijing Plant”	the Beijing Dongcun Sorting Comprehensive Treatment Plant owned and operated by BJ Yiqing Biomax for its municipal solid waste recycling treatment business
“Beijing SASAC”	State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“BJ Yiqing Biomax”	Beijing Yiqing Biomax Green Energy Park Company Limited* (北京市一清百瑪士綠色能源有限公司), a limited liability company incorporated in the PRC and an indirectly non-wholly owned subsidiary of the Company, which is owned as to 60% and 40% by the Vendor and the Purchaser, respectively as at the date of this announcement
“Board”	the board of Directors
“Company”	Capital Environment Holdings Limited (stock code: 3989), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor pursuant to the Agreement

“DTCFL”	Deloitte & Touche Corporate Finance Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the financial adviser to the Company in respect of the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“PRC Valuer”	Beijing Tengqi Certified Public Valuers Company Limited (北京騰騏資產評估有限公司), a qualified independent professional valuation institution in the PRC
“Public Auction”	the public tender auction listing procedures conducted by the Vendor at the Beijing Equity Exchange for the transfer of the Sale Shares for a period of 20 business days in compliance with the relevant PRC laws and regulations with respect to transfer of state-owned assets
“Purchaser”	Beijing Environment Sanitation Engineering Group Company Limited* (北京環境衛生工程集團有限公司), a limited liability company incorporated in the PRC and a shareholder of BJ Yiqing Biomax holding 40% equity interest in BJ Yiqing Biomax and a connected person of the Company as at the date of this announcement
“Registration Authorities”	Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局) or other authorized local authorities
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	40% equity interest in BJ Yiqing Biomax
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary shares of HK\$0.10 each of the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report on BJ Yiqing Biomax prepared by the PRC Valuer dated 1 July 2015

“Vendor” J&B Environment Limited (安柏環保工程有限公司), a limited liability company incorporated in Hong Kong and a shareholder of BJ Yiqing Biomax holding 60% equity interest in BJ Yiqing Biomax and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement

“%” per cent

For illustration purposes only, an exchange rate of RMB1.0 to HK\$1.22 is used in this announcement. No representation is made that any amount in HK\$ or RMB is or could have been or could be converted at such rate or at any other rate or at all.

By Order of the Board
Capital Environment Holdings Limited
Wang Hao
Chairman

Hong Kong, 12 November 2015

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wang Hao, Mr. Cao Guoxian, Mr. Shen Jianping and Mr. Liu Yongzheng and three independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.

* *The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

APPENDIX I — LETTER FROM DELOITTE TOUCHE TOHMATSU

The following is the text of a report received from the Group's reporting accountant, Deloitte Touche Tohmatsu, for inclusion in this announcement.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN BEIJING YIQING BIOMAX GREEN ENERGY PARK COMPANY LIMITED

TO THE DIRECTORS OF CAPITAL ENVIRONMENT HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by 北京騰騏資產評估有限公司 dated 1 July 2015, of a 40% equity interest in Beijing Yiqing Biomax Green Energy Park Company Limited (北京市一清百瑪士綠色能源有限公司) ("BJ Yiqing Biomax") as at 31 December 2014 (the "Valuation") is based. BJ Yiqing Biomax is a company incorporated in China whose principal activities are provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in an announcement dated 12 November 2015 issued by Capital Environment Holdings Limited (the "Company") in connection with the disposal of 40% equity interest in BJ Yiqing Biomax (the "Announcement").

Directors' responsibility for the discounted future estimated cash flows

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

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the

assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of BJ Yiqing Biomax.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 November 2015

APPENDIX II — LETTER FROM DTCFL

The following is the text of a letter received from DTCFL, the financial adviser to the Company in respect of the Disposal, for inclusion in this announcement.

Deloitte.
德勤

12 November 2015

Capital Environment Holdings Limited

Unit 1613–1618

16th Floor

Bank of America Tower

12 Harcourt Road, Central

Hong Kong

Attn: The Board of Directors

Dear Sirs,

Capital Environment Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”)

Cash flow forecast in connection with the valuation of the equity interest in Beijing Yiqing Biomax Green Energy Park Company Limited* (北京市一清百瑪士綠色能源有限公司)

We refer to the valuation report (the “**Valuation Report**”) prepared by Beijing Tengqi Certified Public Valuers Company Limited (北京騰騏資產評估有限公司) (the “**PRC Valuer**”) in relation to the valuation of the equity interest in Beijing Yiqing Biomax Green Energy Park Company Limited* (北京市一清百瑪士綠色能源有限公司) (“**BJ Yiqing Biomax**”) dated 1 July 2015 (the “**Valuation**”), with regard to the disposal of 40% equity interest in BJ Yiqing Biomax. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the announcement of the Company dated 12 November 2015 (the “**Announcement**”).

The Valuation Report, which has been prepared on a discounted cash flow basis under the income approach, is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules. This letter is issued for the purpose of reporting solely to you in compliance with the requirement under Rule 14.62(3) of the Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Forecast or the Valuation, nor the adoption of accounting policies thereof. Our work does not constitute any valuation of BJ Yiqing Biomax. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We, as financial advisers to the Company in relation to the Disposal, have discussed with the Directors, the management of the Company, Deloitte Touche Tohmatsu (being the reporting accountants of the Group) and the PRC Valuer for the information and documents which formed part of the bases and assumptions upon which the Forecast has been prepared, for which you as the Directors are solely responsible. We have considered the letter from Deloitte

Touche Tohmatsu dated 12 November 2015 addressed to yourselves as set out in the Appendix I to the Announcement regarding the calculations of the discounted cash flows in accordance with the bases and assumptions determined by the Directors upon which the Forecast has been made. We have noted that no accounting policies of the Company have been adopted in the preparation of the Forecast which relates only to the discounted future estimated cash flows. The Forecast is based on a number of bases and assumptions. As the relevant assumptions are related to future events which may or may not occur, the actual financial performance of the businesses of BJ Yiqing Biomax may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the PRC Valuer, for which the PRC Valuer and the Company are responsible, we are satisfied that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Limited
Connie Ho
Executive Director

* *The English translation of the company name is for reference only. The official name of the company is in Chinese.*