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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)**

## **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF BCG NZ INVESTMENT HOLDING LIMITED SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES AND RESUMPTION OF TRADING**

**Financial Adviser to the Company**

# **NOMURA**

### **THE ACQUISITION**

The Board is pleased to announce that on 26 November 2015 the Company entered into the Acquisition Agreement with the Vendors to acquire the Sale Shares, being 51% of the issued share capital of the Target Company. The Target Group provides comprehensive waste management services, ranging from collection, recycling, waste disposal to hazardous and industrial waste treatment in New Zealand.

The Consideration payable by the Company to the Vendors pursuant to the Acquisition Agreement is US\$230 million (equivalent to approximately RMB1,461 million or HK\$1,783 million), subject to adjustment (if any) based on the valuation on the Target Group as at 31 December 2015 to be conducted by the Independent Valuer, and shall be satisfied by the allotment and issue of approximately 4,456,940,000 Consideration Shares (subject to adjustment based on the adjustment to the Consideration) at an issue price of HK\$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid. The results of the valuation and the final consideration after adjustment will be included in the circular in connection with this Acquisition to be dispatched to the Shareholders.

The Consideration Shares, before adjustment, represent approximately 31.36% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares will be issued pursuant to a specific mandate to be obtained from the Independent Shareholders at the EGM.

### **LISTING RULES IMPLICATIONS**

With respect to the Acquisition, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company. The other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds an aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Beijing Capital (HK) and its associates, including BC Water, are required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. Voting at the EGM will be conducted by poll.

On 19 June 2014 and according to revisions made to the terms of the loan on 11 June 2015, BCG provided the Target Company with the BCG Loan of NZ\$570 million (equivalent to approximately RMB2,363 or HK\$2,884 million) for a term of 3 years with an annual interest rate of 5.0%, which is consistent with general market rates and on normal commercial terms and not secured by any assets of the Target Group. As of the date of this Announcement, the whole amount of the BCG Loan is outstanding. As BCG is a connected person of the Group, the transaction will constitute a continuing connected transaction under Rule 14A.31 of the Listing Rules upon Completion and will be fully exempt under Rule 14A.90 of the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all of the Company's independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are on normal commercial terms, are fair and reasonable, and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from the Independent Financial Adviser. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Acquisition.

As at the date of this Announcement, the Independent Financial Adviser has not been appointed yet. The Company will issue an announcement as soon as possible after the Independent Financial Adviser has been appointed.

## **EGM AND CIRCULAR**

The EGM will be convened as soon as practicable at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve, among others, the Acquisition Agreement, the Acquisition and the specific mandate for the issuance of the Consideration Shares.

A circular containing, among other information, (i) further information on the Acquisition and the Target Company; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and advising the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and advising the Independent Board Committee on how to vote; and (iv) a notice of the EGM, is expected to be dispatched to the Shareholders on or before 29 February 2016, which is more than 15 business days after the date of this Announcement, as additional time is required for the preparation of (i) the financial information of the Target Group; and (ii) the valuation report of the Independent Valuer.

**Shareholders and investors should note that the Acquisition Agreement is subject to conditions stated in the section headed “The Acquisition Agreement — Conditions precedent” below and therefore the Acquisition may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 9 November 2015 at the request of the Company. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 27 November 2015.

## INTRODUCTION

The Board is pleased to announce that the Company entered into the Acquisition Agreement with the Vendors to acquire the Sale Shares in the Target Company on 26 November 2015. The principal terms of the Acquisition Agreement are summarized as follows:

### THE ACQUISITION AGREEMENT

<b>Date</b>	:	26 November 2015
<b>Purchaser</b>	:	The Company
<b>Vendors</b>	:	(1) Beijing Capital (HK) (2) BCG

Both Vendors are connected persons of the Group. Beijing Capital (HK) is a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company. BCG is a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds and aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK).

### Consideration for the interests to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 51% of the issued share capital of the Target Company as set out below:

<b>Vendor</b>	<b>Percentage of the issued share capital of the Target Company held as of the date of this Announcement</b>	<b>Percentage of the issued share capital of the Target Company to be sold to the Company</b>	<b>Consideration (approx. US\$ million and subject to adjustment)</b>	<b>No. of Consideration Shares to be issued to the Vendor (subject to adjustment)</b>
Beijing Capital (HK)	65%	16%	72.16	1,398,255,686
BCG	35%	35%	157.84	3,058,684,314
<b>Total</b>	<b>100%</b>	<b>51%</b>	<b>230.00</b>	<b>4,456,940,000</b>

The Consideration payable by the Company to the Vendors pursuant to the Acquisition Agreement is US\$230 million (equivalent to approximately RMB1,461 million or HK\$1,783 million), subject to adjustment (if any) based on the valuation on the Target Group as at 31 December 2015 to be conducted by the Independent Valuer, and shall be satisfied by the allotment and issue of a total of 4,456,940,000 Consideration Shares (subject to adjustment based on the adjustment to the Consideration) at an issue price of HK\$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid. The results of the valuation and the final consideration after adjustment will be included in the circular in connection with this Acquisition to be dispatched to the Shareholders.

### *Basis of the Consideration*

The Consideration of US\$230 million (equivalent to approximately RMB1,461 million or HK\$1,783 million, and subject to adjustment) for 51% of the shares in the Target Company was determined based on arm's length negotiations between the parties to the Acquisition Agreement and is based on the purchase price of US\$293 million for the acquisition of 65% of the share capital of the Target Company by Beijing Capital (HK) from BCG pursuant to a share transfer agreement dated 4 June 2015. The adjustment (if any) will be based on a valuation of the Target Group as at 31 December 2015 to be issued by the Independent Valuer.

### *Consideration Shares*

The Consideration Shares, before the adjustment, will represent approximately 45.70% of the issued share capital of the Company as at the date of this announcement and approximately 31.36% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

The Consideration Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with all existing Shares then in issue on the date of such allotment and issue, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of the issue of the Consideration Shares.

The Consideration Shares will be issued pursuant to a specific mandate to be obtained from the Independent Shareholders at the EGM.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### *Issue price*

The Consideration Shares will be issued at the issue price of HK\$0.40 per Consideration Share, which was determined after arm's length negotiation between the Company and the Vendors with reference to the trading prices of the Shares in the last 10 days up to and including the Relevant Trading Day, which represents:

- (a) a discount of approximately 9.09% to the closing price of the Shares of HK\$0.440 as quoted on the Stock Exchange on the Relevant Trading Day;
- (b) a discount of approximately 2.91% to the average closing price of the Shares of HK\$0.412 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Relevant Trading Day; and
- (c) a discount of approximately 1.96% to the average closing price of the Shares of HK\$0.408 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Relevant Trading Day.

### **Conditions precedent**

Completion is subject to, among other things, the satisfaction of the following conditions set out in the Acquisition Agreement:

- (a) the Company continuing to meet the minimum public float requirement under the Listing Rules immediately after Completion and upon issue of Consideration Shares;

- (b) all relevant licences, permissions, waivers, orders, exemptions, notification, authorizations, consents, confirmations and approvals from the relevant third parties and/or bodies necessary for the consummation and implementation of the transactions contemplated by the Acquisition Agreement having been obtained, effective and not having been revoked;
- (c) all relevant licences, permissions, waivers, orders, exemptions, notification, authorizations, consents, confirmations and approvals issued or given by the governmental, regulatory or any relevant authorities necessary for the consummation and implementation of the transactions contemplated by the Acquisition Agreement having been obtained, effective and not having been revoked, including but not limited to:
  - (i) the approval of Independent Shareholders having been obtained at a duly convened shareholders' meeting of the Company approving the Acquisition Agreement and the transactions contemplated thereunder, including the sale and purchase of the Sale Shares and the issue and allotment of the Consideration Shares under a specific mandate;
  - (ii) all relevant licences, consents and approvals from relevant PRC government authorities and agencies and all filings with such PRC government authorities and agencies necessary for the implementation of the transactions contemplated by the Acquisition Agreement in accordance with the applicable PRC laws;
  - (iii) relevant board and shareholders approval of Beijing Capital in accordance with the provisions of PRC laws, regulations, rules, normative documents and its articles of association;
  - (iv) the consents (if appropriate or required) of the Stock Exchange and all filings with any relevant governmental regulatory authorities and other relevant third parties in Hong Kong, or elsewhere which are required or appropriate for the entering into and the implementation of the Acquisition Agreement having been made; and
  - (v) relevant approval from the Overseas Investment Office of New Zealand for the implementation of the transactions contemplated by the Acquisition Agreement in accordance with the applicable New Zealand laws;
- (d) the representations and warranties provided by the Vendors contained in the Acquisition Agreement remaining true and accurate as at the Completion Date and as if repeated at all time between the date of the Acquisition Agreement and the Completion Date;
- (e) completion of due diligence on the Target Group to the satisfaction of the Company;
- (f) the approval of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange being obtained; and
- (g) the Vendors having performed and complied with all agreements, obligations, and conditions contained in the Acquisition Agreement that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder.

Pursuant to the Acquisition Agreement, the Company may waive in writing any of the conditions precedent specified above at any time (except conditions (a), (c) and (f), which by their nature cannot be waived). As at the date of this Announcement, the Company has not waived and has no intention to waive any of the conditions precedent to the Acquisition

Agreement. The Company will only exercise its right to waive any of the conditions if it is fair and reasonable and in the interest of the Company and the Shareholders and if the waiver of the conditions would not affect the substance of the Acquisition Agreement. If any of the conditions of the Acquisition Agreement is not fulfilled or waived by the Parties on or before 31 December 2016 (or such later date to be agreed between the parties to the Acquisition Agreement in writing), the Acquisition Agreement will lapse and all obligations and liabilities of the parties thereunder (with the exception of certain provisions intended to survive any termination) shall cease.

## **Completion**

Completion is expected to take place on or before 31 October 2016.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

## **INFORMATION ON THE GROUP**

The Group is a leading provider of comprehensive waste management solutions and environmental infrastructure services in China and has established a market presence spanning across fourteen provinces in China as of 30 June 2015.

## **INFORMATION ON THE VENDORS**

Beijing Capital (HK) is a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company. Beijing Capital (HK) is wholly owned by Beijing Capital, a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008). Beijing Capital and its subsidiaries are principally engaged in the investment and management of environmental infrastructure in China with a focus on water projects, solid waste disposal and environment management. Beijing Capital is owned as to 54.62% by Beijing Capital Group. As of 31 December 2014, Beijing Capital had total assets of approximately RMB25.2 billion and recorded a revenue of approximately RMB5.6 billion for the year 2014.

BCG is a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Beijing Capital Group. BCG is principally engaged in investment activities for Beijing Capital Group. Both Vendors are connected persons of the Group.

Beijing Capital Group is a state-owned enterprise owned by the People's Government of Beijing Municipality and is under the direct supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality. Beijing Capital Group has four core businesses, namely environmental protection, infrastructure, real estate, and financial services. As of 31 December 2014, Beijing Capital Group had total assets of over RMB185.1 billion and recorded revenues of more than RMB23.8 billion for the year 2014.

## INFORMATION OF THE TARGET GROUP

### Target Group

The Target Group has over a century of continuing operation and is the largest waste management service provider in New Zealand with an over 30% market share and has established a national network of vertically integrated local waste systems. It provides comprehensive waste management services, ranging from collection, recycling, waste disposal to hazardous and industrial waste treatment and serves more than 200,000 customers in New Zealand. The services provided by the Target Group primarily include the following:

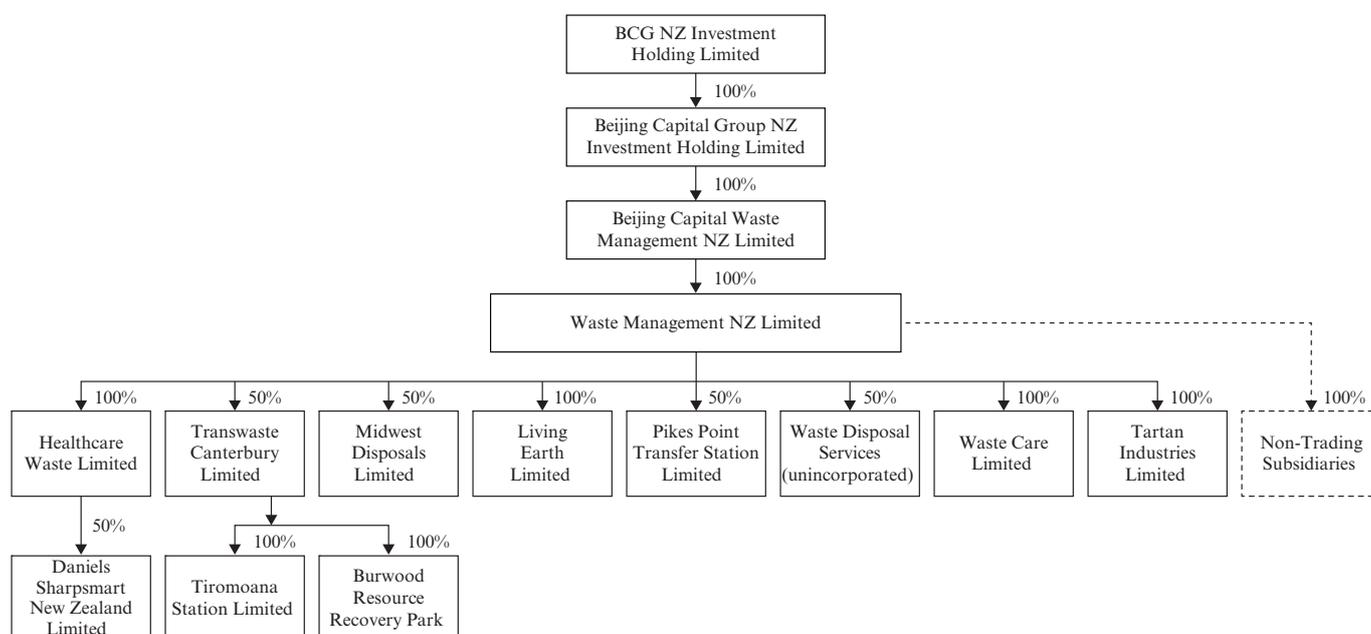
- **residential collections:** curbside collection and transportation of household waste to transfer stations or disposal facilities, with long-term contracts generally awarded by local councils;
- **commercial collections:** regular and *ad-hoc* waste collection and transportation from commercial, industrial and construction customers to transfer stations or direct to disposal facilities;
- **solid waste processing and disposal service:** developing, investing and operating modernized landfills, transfer stations and recycling facilities across New Zealand; and
- **liquid & hazardous waste service:** collection, processing, treatment and recycling of hazardous and non-hazardous liquid waste, medical wastes, solids (including packaged goods requiring secure disposal) and solvents.

The Target Company is a company incorporated with limited liability under the laws of Hong Kong on 28 March 2014 by BCG, as a holding company for the purpose of acquiring BCWMNZ and its subsidiaries through its wholly-owned subsidiary Beijing NZ. The Target Group includes the Target Company, its subsidiaries (including the Non-Trading Subsidiaries) and 50% controlled joint venture entities.

Waste Management NZ is the main operating subsidiary of the Target Group incorporated on 5 April 2006 and is engaged in the collection, recycling, landfilling of solid waste and liquid & hazardous waste collection and treatment services for residential, commercial and industrial customers.

The Target Group has also established certain joint ventures with local authorities in New Zealand and Independent Third Parties for the purpose of carrying out its operations. Transwaste Canterbury Limited was established on 31 March 1999. It owns and operates the only landfill in Christchurch and the wider Canterbury region, New Zealand. Midwest Disposals Limited was established on 18 August 2000. It owns and operates a landfill and transfer station in Rangitikei, New Zealand. Pikes Point Transfer Station Limited was established on 24 March 1993. It owns and operates the Pikes Point transfer station in Auckland, New Zealand. Daniels Sharpsmart New Zealand Limited was established on 4 November 2002 to conduct medical waste collection and disposal service. Waste Disposal Services (unincorporated) owns and operates the Whitford landfill and East Tamaki transfer station in Auckland, New Zealand from 1 December 1993. Set out below is the shareholding structure of the Target Group as of the date of this Announcement.

## Structure of the Target Group



Based on the consolidated audited accounts, the net asset value of the Target Company as at 31 December 2014 was approximately RMB1.92 billion. The audited financial information for the period from 28 March 2014 (being the date of incorporation of the Target Company) to 31 December 2014 and the unaudited financial information for the nine months ended 30 September 2015 based on the management accounts of the Target Company are set out below. The financial results of BCWMNZ has been consolidated into the accounts of the Target Company since 30 June 2014.

	<b>For the period from 28 March 2014 (the date of incorporation) to 31 December 2014 (RMB'000 approx.) audited</b>	<b>For the nine months ended 30 September 2015 (RMB'000 approx.) unaudited</b>
Revenue	1,052,406	1,432,626
Net profits before taxation	203,456	255,830
Net profits after taxation	189,395	224,714

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the Acquisition is beneficial to the Group for the following reasons:

- (a) the Group has been principally operating in the PRC. Acquisition of the Target Group, which operates in the same line of business of the Company in New Zealand, will allow the Group to expand its geographical reach to New Zealand, in which the Group does not currently have a presence, and thus broaden its revenue base, effectively elevate its market position and promote its brand in overseas markets;

- (b) the Target Group is the largest waste management service provider in New Zealand and possesses a vertically integrated waste service chain as well as sophisticated management and technical expertise. By adopting a similar service chain and system into the Group's domestic operations in the PRC and through the transfer of operational know-how and technical expertise, the Acquisition will help us expand our footprint in the domestic market and consolidate our leadership in the environmental industry; and
- (c) according to the audited accounts of the Target Group for the period from 28 March 2014 to 31 December 2014, the Target Group recorded a revenue of more than RMB1 billion and net profits (after tax) of more than RMB189 million for the period. The Directors therefore believe that the Acquisition will substantially enhance the revenue base and profit base of the Enlarged Group upon Completion.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be set out in the circular) are of the view that the terms of the Acquisition Agreement are on normal commercial terms, in the ordinary course of business, and in the interests of the Group, the Company and the Shareholders as a whole.

As at the date of this Announcement, the Company intends to develop its existing business in the PRC in a way that is consistent with its approach as disclosed in its annual report for the year 2014 and its interim report for the first half of 2015.

#### **SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE COMPLETION OF ACQUISITION AND THE DILUTION EFFECT TO THE EXISTING SHAREHOLDERS**

Subsequent to the issue of the Consideration Shares to the Vendor, the Vendors will be interested in approximately 66.72% in the share capital of the Company upon Completion as enlarged by the issue of the Consideration Shares.

Set out below is a table showing, for the purpose of illustration, the shareholding structure of the Company before and after the issue of the Consideration Shares (assuming that save for the Consideration Shares, no further Shares will be issued by the Company after the date of this announcement until completion of the Acquisition):

	<b>As at the date of this announcement</b>		<b>Shareholding immediately after Completion (subject to adjustment)</b>	
	<i>No. of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>No. of Shares</i>	<i>Approximate percentage of shareholding</i>
Beijing Capital (HK) <i>(Note 1)</i>	5,001,008,931	51.28	6,399,264,617	45.03
BC Water <i>(Note 1)</i>	23,210,000	0.23	23,210,000	0.16
BCG <i>(Note 2)</i>	—	—	3,058,684,314	21.53
Other Shareholders	<u>4,728,939,359</u>	<u>48.49</u>	<u>4,728,939,359</u>	<u>33.28</u>
Total	<u>9,753,158,290</u>	<u>100.00</u>	<u>14,210,098,290</u>	<u>100.00</u>

*Notes:*

1. Both Beijing Capital (HK) and BC Water are wholly-owned subsidiaries of Beijing Capital. Beijing Capital is in turn controlled by Beijing Capital Group. For the purposes of the SFO, Beijing Capital and Beijing Capital Group are deemed to have interest in the Shares held by Beijing Capital (HK) and BC Water.
2. BCG is a wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is also deemed to be interested in the Shares held by BCG.

## **IMPLICATIONS UNDER THE LISTING RULES**

With respect to the Acquisition, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company and the other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds and aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Beijing Capital (HK) and its associates, including BC Water, are required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. Voting at the EGM will be conducted by poll. Application will be made to the Stock Exchange for the listing and permission to deal in the Consideration Shares.

On 19 June 2014 and according to revisions made to the terms of the loan on 11 June 2015, BCG provided the Target Company with the BCG Loan of NZ\$570 million (equivalent to approximately RMB2,363 or HK\$2,884 million) for a term of 3 years with an annual interest rate of 5.0%, which is consistent with general market rates and on normal commercial terms and not secured by any assets of the Target Group. As of the date of this Announcement, the whole amount of the BCG Loan is outstanding. As BCG is a connected person of the Group, the transaction will constitute a continuing connected transaction under Rule 14A.31 of the Listing Rules upon Completion and will be fully exempt under Rule 14A.90 of the Listing Rules.

## **GENERAL INFORMATION**

### **Previous Acquisitions**

In order to fund the acquisition of BCWMNZ by the Target Company (being a wholly-owned subsidiary of BCG at the relevant time) on 30 June 2014, BCG injected into the Target Company approximately US\$822 million (equivalent to approximately NZ\$960 million based on the exchange rate of NZ\$1.00 to US\$0.8563 as at the time of the injection) through (1) approximately US\$334 million (approximately NZ\$390 million) equity injection and (2) a shareholder's loan of approximately US\$488 million (approximately NZ\$570 million) (i.e. the BCG Loan). The Target Company in turn paid New Zealand Dollar denominated funds of approximately US\$822 million (equivalent to approximately NZ\$960 million) to an Independent Third Party for the entire issued share capital of BCWMNZ.

The acquisition of BCWMNZ represented a unique and compelling entry point investment for BCG, as well as Beijing Capital Group, in the waste management value chain of New Zealand, providing them with an ideal combination of revenue stability, long term growth prospects and waste management expertise.

In order to consolidate the waste management operations among the subsidiaries of Beijing Capital Group and to benefit from the invaluable operational know-how and expertise from a renowned best-practice operator, namely BCWMNZ, pursuant to an agreement dated 4 June 2015, Beijing Capital (HK) acquired 65% of the issued share capital of the Target Company for a consideration of approximately US\$293 million. The consideration reflects the strong growth potential and operating expectation of the Target Company. The transaction was completed on 29 October 2015.

After 30 June 2014, the Target Group, funded by Beijing Capital Group, carried out a number of initiatives to further grow and enhance the profitability of the business. In order to further consolidate and integrate waste management operations and realize potential synergies among the subsidiaries of Beijing Capital Group, the Vendors decided to dispose of an aggregate of 51% of the issued share capital of the Target Company to the Group, which has a specific focus on waste management among the subsidiaries of Beijing Capital Group.

The Consideration, before adjustment, is consistent with the consideration for the Beijing Capital (HK)'s acquisition of the Target Company and represent a premium of US\$59.7 million to the *pro rata* value of the equity injection into the Target Company by BCG (i.e. 51% of US\$334 million), which is due to the significant growth of the business of the Target Group since its acquisition by BCG.

#### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee comprising all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from the Independent Financial Adviser. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Acquisition.

As at the date of this Announcement, the Independent Financial Adviser has not been appointed yet. The Company will issue an announcement as soon as possible after the Independent Financial Adviser has been appointed.

#### **EGM AND DISPATCH OF CIRCULAR**

The EGM will be convened as soon as practicable for the Independent Shareholders to consider, and, if thought fit, to approve the relevant resolutions in relation to the Acquisition Agreement, the Acquisition and the specific mandate for the issuance of the Consideration Shares.

A circular containing, among other information, (i) further information on the Acquisition and the Target Company; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition is in the ordinary and usual

course of business of the Company and in the interests of the Company and the Shareholders as a whole, and advising the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and advising the Independent Board Committee on how to vote; and (iv) a notice of the EGM, will be dispatched to the Shareholders on or before 29 February 2016, which is more than 15 business days after the date of this Announcement, as additional time is required for the preparation of (i) the financial information of the Target Group; and (ii) the valuation report of the Independent Valuer.

**Shareholders and investors should note that the Acquisition Agreement is subject to various conditions as stated in the section headed “The Acquisition Agreement — Conditions precedent” above and therefore the Acquisition may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 9 November 2015 at the request of the Company. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 27 November 2015.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of 51% of the issued share capital of the Target Company pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 26 November 2015 entered into between the Company and the Vendors in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BC Water”	BC Water Investments Co., Ltd (東方水務投資有限公司), an indirect wholly-owned subsidiary of Beijing Capital, which holds 23,210,000 Shares of the Company
“BCG”	BCG Chinastar International Investment Limited (首創華星國際投資有限公司), a company incorporated with limited liability under the laws of Hong Kong, a wholly-owned subsidiary of Beijing Capital Group and a connected person of the Group under Rule 14A.07 of the Listing Rules
“BCG Loan”	the loan of NZ\$570 million with a term of 3 years and an annual interest rate of 5.0% provided by BCG to the Target Company on 19 June 2014, the terms of which were amended on 11 June 2015

“BCWMNZ”	Beijing Capital Waste Management NZ Limited, a limited company incorporated under the laws of New Zealand on 5 April 2006 and a direct wholly-owned subsidiary of Beijing NZ
“Beijing Capital”	Beijing Capital Co., Ltd. (北京首創股份有限公司), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008)
“Beijing Capital (HK)”	Beijing Capital (Hong Kong) Limited (首創(香港)有限公司), a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company, holding approximately 51.28% 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 54.62% by Beijing Capital Group as at the date of this announcement
“Beijing Capital Group”	Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), a state-owned enterprise owned by the People’s Government of Beijing Municipality and under the supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality and a controlling shareholder of Beijing Capital and the sole shareholder of BCG
“Beijing NZ”	Beijing Capital Group NZ Investment Holding Limited, a limited company incorporated under the laws of New Zealand on 20 May 2014 and a direct wholly-owned subsidiary of the Target Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“Company”	Capital Environment Holdings Limited (Stock Code: 3989), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition under the Acquisition Agreement
“Consideration Shares”	new Shares to be issued for the purpose of satisfying part of the Consideration pursuant to the Acquisition Agreement
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company expected to be convened on or about 24 March 2016 at which, among others, the Acquisition together with the terms of the Acquisition Agreement will be considered, and if thought fit, approved by the Independent Shareholders
“Enlarged Group”	the Group as enlarged by, or taking into account the impact of, the interest in the Target Group subsequent to the Acquisition
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Company consisting of all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in the EGM, taking into account the recommendations of the Independent Financial Adviser
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Board with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement
“Independent Shareholder(s)”	Shareholders other than Beijing Capital (HK) and its associates, including BC Water, and any person who is involved in, or interested in, the Acquisition Agreement, who are entitled to attend and vote at the relevant shareholders’ meeting of the Company under the applicable laws and regulations and the articles of association of the Company
“Independent Third Party(ies)”	(to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry) third parties independent of the Company and its connected person within the meanings of the Listing Rules
“Independent Valuer”	an independent valuer to be engaged by the Company for the purpose of conducting valuation of the Target Group for the year ended 31 December 2015
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Non-Trading Subsidiaries”	subsidiaries held directly or indirectly by Waste Management NZ as to 100% that are not carrying out any activities as at the date of this announcement, being Le Quality Group Limited, Waste Management Limited, The Wheelibin Company Limited, Get-A-Bin Limited, Eastern Bins Limited, Waste Management Collections Limited, BCG Waste Management Limited, Waste Disposal Services Limited, General Rubbish Collection Limited, Flexi-Bin Limited, Sunshine Garden Bag & Bin Company Limited, Budget Bins Ltd, Waste Management All Brite Limited, Gordies Bags Limited, Gordies Bins Limited, Canterbury Waste Services Limited, Otago Waste Services Limited, Canterbury Material Recovery Facilities Limited, Waste Management Recycling Limited, Gordies Skip Bins Limited, Waste Management Technical Services Limited, Recycle New Zealand Limited, ERS New Zealand Limited, Waste Management Solutions (NZ) Limited, Waste Services Marlborough Limited
“NZ\$”	New Zealand dollars, the lawful currency of New Zealand
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Relevant Trading Day”	6 November 2015, being the last full trading day in respect of the Shares on the Stock Exchange before the suspension of trading of the Shares on 9 November 2015 pending the release of this announcement
“Renminbi or RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	198,898,745 ordinary shares of the Target Company representing 51% of the issued share capital of the Target Company owned by the Vendors
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	BCG NZ Investment Holding Limited, a company incorporated with limited liability under the laws of Hong Kong, the shares of which are owned as to 35% by BCG and as to 65% by Beijing Capital (HK)
“Target Group”	the Target Company, its subsidiaries and 50% controlled joint venture entities
“US\$”	United States of America Dollars, a lawful currency of the United States of America
“Vendors”	BCG and Beijing Capital (HK)

“Waste Management NZ” Waste Management NZ Limited, a limited company incorporated under the laws of New Zealand on 5 April 2006 and a direct wholly-owned subsidiary of BCWMNZ

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

Hong Kong, 26 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 exchange rates of US\$1.00 to HK\$7.7512, NZ\$1.00 to HK\$5.0598 and RMB1.00 to HK\$1.2204 used in this announcement for translation between US\$, NZ\$ and RMB to HK\$ are for illustrative purpose only.*