THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Capital Environment Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

(1) VERY SUBSTANTIAL DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF BEIJING CAPITAL GROUP NZ INVESTMENT HOLDING LIMITED AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser

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A notice convening the EGM to be held at 6/F, Building 1, Xindadu Hotel, 21 Chegongzhuang Street, Xicheng District, Beijing, China on 14 June 2022, Tuesday at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

26 May 2022

CONTENTS

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus (COVID-19) pandemic, the Company reserves the right to take the following precautionary measures as may be appropriate at the EGM:

- All attendees will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purposes of contact tracing if required) before entering the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius will not be permitted to attend the EGM.

- Compulsory wearing of surgical face masks by attendees inside the EGM venue at all times, and to maintain a safe distance between seats.

- All attendees shall provide proof of negative nucleic acid test results issued within 48 hours, and scan and present the "Beijing Health Kit" (北京健康寶) green code.

- All attendees MUST wash and sanitize before entry to the EGM and as frequently as possible.

- All attendees shall avoid overcrowding and body contact. Attendees should keep a distance of one meter between each other.

- No refreshments will be served at the EGM.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Members are reminded that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

The Shareholders who are feeling unwell or have been placed on leave of absence on the date of the EGM are advised not to attend the EGM.

Although webcast, teleconferencing or videoconferencing of the EGM will not be made available, the Shareholders who prefer not to attend or are restricted from attending the EGM, may still vote by proxy and are advised to take note of the last date and time for the lodgement of the proxy form.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to the Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time. The Company may be required to change the meeting arrangements for the EGM at short notice. Shareholders are advised to check the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) for further announcement(s) and update(s) on such arrangements and/or further special measures to be taken.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

The EGM will commence sharply at 2:30 p.m. on 14 June 2022, and the Shareholders are encouraged to arrive at the EGM venue at least half an hour prior to the commencement time of the meeting to avoid delays from precautionary measures mentioned above in the registration process.

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Actual ND"	the Net Debt as at the Completion Date stated in the Completion Statement
"Actual NWC"	the NWC as at the Completion Date stated in the Completion Statement
"Adjustment Date"	the fifth (5th) Business Day following the day on which either: (i) the auditors appointed have delivered an unqualified report to the Vendor and the Purchaser verifying the Completion Statement and no difference or dispute arises; or (ii) an expert to be appointed in accordance with the Agreement has settled or determined the Completion Statement
"Agreement"	the sale and purchase agreement dated 31 March 2022 and entered into between the Vendor and the Purchaser in relation to the Disposal
"Articles of Association"	the memorandum and articles of association of the Company, as amended from time to time
"BCGC"	BCG Chinastar International Investment Limited, a company incorporated in Hong Kong with limited liability and a substantial shareholder (as defined in the Listing Rules) of the Company, holding approximately 21.80% of the total issued share capital of the Company as at the Latest Practicable Date
"BCHK"	Beijing Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 45.11% of the total issued share capital of the Company as at the Latest Practicable Date
"BCPRC"	Beijing Capital Eco-Environment Protection Group Co., Ltd., a company established in the PRC, the shares of which are listed on Shanghai Stock Exchange (stock code: 600008.SH) and which directly holds the entire issued share capital of BCHK as at the Latest Practicable Date

"Bidding"	the multi-party, strictly confidential, competitive auction process that was utilised to select the purchaser for the disposal of the Sale Shares based on the final bid of the investor that offered the best terms as the purchaser
"Board"	the board of Directors
"Business Day"	any day other than a Saturday, Sunday or statutory public holiday in the PRC, Hong Kong, Auckland, New Zealand and Sydney, Australia
"Cash Advance Facility Balance"	the principal, interest, fees, costs and all other amounts owed by the Target Group to ANZ Bank New Zealand Limited pursuant to the cash advance facility agreement dated 21 August 2021 in respect of the cash advance facility lent by ANZ Bank New Zealand Limited
"Claim"	any claim, demand, legal proceeding or cause of action, whether present, unascertained, immediate, future or contingent, which in any way relates to the Agreement (or any part of it) or the Disposal
"Company"	Capital Environment Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of Stock Exchange (stock code: 03989.HK)
"Completion"	completion of the Disposal pursuant to the terms and conditions of the Agreement
"Completion Date"	the date of Completion
"Completion Deductible"	the amount to be deducted from the Initial Purchase Price as more particularly set out in the section headed "*Vendor Liability*" in the Letter from the Board contained in this circular
"Completion Statement"	the statement of the Target Group to be prepared in the agreed form and agreed or determined for the purpose of calculating the Actual NWC and Actual ND at Completion
"Conditions"	the conditions precedent to Completion as set out in the Agreement

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the total consideration for the Disposal
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
"EGM"	the extraordinary general meeting of the Company to be held at 6/F, Building 1, Xindadu Hotel, 21 Chegongzhuang Street, Xicheng District, Beijing, China on 14 June 2022, Tuesday at 2:30 p.m. for considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
"Enterprise Value"	an amount of NZ$1,900 million (equivalent to approximately HK$10,059 million)
"Ernst & Young"	Ernst & Young, certified public accountants
"Escrow Amount"	the amount to be held in escrow and placed in escrow account on Completion as more particularly set out in the section headed "*Vendor Liability*" in the Letter from the Board contained in this circular
"Estimated ND"	the Vendor's good faith estimate of the Actual ND on the Completion Date
"Estimated NWC"	the Vendor's good faith estimate of the Actual NWC on the Completion Date
"First Adjustment"	the first adjustment to the Consideration as more particularly set out in the section headed "*First Adjustment*" in the Letter from the Board contained in this circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are third parties independent of and not connected with the Company and its connected persons in accordance with the Listing Rules
"Initial Purchase Price"	Enterprise Value less the sum of the Vendor Debt Balance, Cash Advance Facility Balance, Escrow Amount and the Completion Deductible, and subject to the First Adjustment
"Latest Practicable Date"	19 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	30 December 2022
"Net Debt"	all debts including but not limited to all loans, debts, financial liabilities or obligations relating to borrowed money, financial instruments, negotiable instruments of the Target Group subject to the terms of the Agreement (excluding, trading debt or trading liabilities arising in the ordinary course of business, any unamortised debt issuance costs, Vendor Debt Balance and Cash Advance Facility Balance), less all cash (other than insurance proceeds received by the Target Group for damage or destruction of certain properties of the Target Group and any residual or recovered value received by the Target Group from loss of business relating to Completion Deductibles) held by the Target Group

"Non-Trading Subsidiaries"	subsidiaries held directly or indirectly by WMNZ as to 100% that are not carrying out any activities as at the Latest Practicable Date, being 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, Flexi-Bin Limited, Sunshine Garden Bag and Bin Company Limited, Budget Bins Limited, 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, Healthcare Waste Limited, Living Earth Limited, Pacific Rubber Recycling Limited, Tartan Industries Limited, Waste Care Limited
"NWC"	the net working capital of the Target Group, as indicated by the net total of the general ledger account balances of the Targe Group stated in the Agreement
"NZ$"	New Zealand dollar, the lawful currency of New Zealand
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Tui Bidco Limited, a New Zealand limited company
"Reference NWC"	an amount of NZ$4.8 million (equivalent to approximately HK$25.4 million), being the estimated total NWC amount at the time of Completion
"Remaining Group"	the Company and its subsidiaries, and following Completion, excluding the Target Group
"RMB"	Renminbi, the lawful currency of the PRC

"Sale Shares"	an aggregate of 209,987,540 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company
"Second Adjustment"	the adjustment payment to be made (if any) on the Adjustment Date and more particularly set out in the section headed "*Second Adjustment*" in the Letter from the Board contained in this circular
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of the Company with a nominal value of HK$0.1 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	Beijing Capital Group NZ Investment Holding Limited, a company incorporated in New Zealand with limited liability and an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries (as defined in section 5 of the Companies Act 1993 of New Zealand)
"Vendor"	BCG NZ Investment Holding Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 51% by the Company and 49% by BCHK
"Vendor Debt"	all amounts owing by any member of the Target Group to the Vendor, the principal amount of which being NZ$775,038,490.37 (equivalent to approximately HK$4,103,053,768.02) as at the date of the Agreement, plus all accrued but unpaid interest thereon

"Vendor Debt Balance"	the principal, interest, fees, costs and all other moneys payable by any member of the Target Group in respect of any Vendor Debt which is outstanding at Completion as notified to the Purchaser by the Vendor no earlier than 14 Business Days and no later than 12 Business Days prior to the Completion Date
"WMNZ"	Waste Management NZ Limited, a company incorporated in New Zealand with limited liability and a wholly-owned subsidiary of the Target Company as at the Latest Practicable Date
"%"	per cent

Unless otherwise stated, conversion of NZ$ into HK$ in this circular is based on the exchange rate of NZ$1=HK$5.2940. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

Executive Directors:
Mr. Cao Guoxian *(Chairman)*
Mr. Li Fujing *(Chief Executive Officer)*
Mr. Li Qingsong *(Executive General Manager)*

Non-Executive Director:
Ms. Hao Chunmei

Independent Non-executive Directors:
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

Registered Office:
Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Head Office and Principal Place of Business:
Unit 1613-1618, 16/F
Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

26 May 2022

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF BEIJING CAPITAL GROUP NZ INVESTMENT HOLDING LIMITED AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 3 April 2022 relating to the Disposal.

On 31 March 2022 (after trading hours), the Vendor, a direct non-wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares. The Sale Shares were offered for sale through the Bidding and the Purchaser succeeded in the Bidding in relation to the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further information on the Agreement, the Disposal, the transactions contemplated thereunder and the Target Group; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM.

THE AGREEMENT

The salient terms of the Agreement are set out as follows:

Date

31 March 2022 (after trading hours)

Parties

(i) the Vendor; and

(ii) the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners is an Independent Third Party.

Subject Matter

The Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares, which represent the entire issued share capital of the Target Company, on the Completion Date, together with all rights attached thereto on or after Completion, and free of all security interests.

Consideration

The Consideration for the Sale Shares is the Initial Purchase Price, subject to the Second Adjustment (as defined below) and the aggregate Escrow Amount (as defined below) released to the Vendor within the six-month period following the Completion pursuant to the Agreement.

The Initial Purchase Price shall be calculated by Enterprise Value of NZ$1,900 million (equivalent to approximately HK$10,059 million) less the Vendor Debt Balance, Cash Advance Facility Balance, Escrow Amount and Completion Deductible, each to be notified by the Vendor to the Purchaser prior to Completion, and subject to the First Adjustment (as defined below).

The Consideration was determined with reference to, among others, prevailing market conditions, the performance, position and ranking of the Target Group in the industry and resulted from the final bidding price offered by the Purchaser through the Bidding.

First Adjustment

The Initial Purchase Price shall be adjusted (the "**First Adjustment**") in the following manner:

(i) if the Estimated NWC is greater than the Reference NWC, the Initial Purchase Price shall be increased by the excess of the Estimated NWC over the Reference NWC;

(ii) if the Estimated NWC is less than the Reference NWC, the Initial Purchase Price shall be decreased by the excess of the Reference NWC over the Estimated NWC;

(iii) if the Estimated ND is a positive number, then the Initial Purchase Price shall be decreased by the absolute value of the Estimated ND; and

(iv) if the Estimated ND is a negative number, then the Initial Purchase Price shall be increased by the absolute value of the Estimated ND.

Second Adjustment

The Consideration shall be further adjusted based on an unqualified audit report on the Completion Statement in the following manner:

(i) if the Actual NWC is greater than the Estimated NWC, the Purchaser shall pay to the Vendor an amount equal to the difference;

(ii) if the Actual NWC is less than the Estimated NWC, the Vendor shall refund to the Purchaser an amount equal to the difference;

(iii) if the Actual ND is less than the Estimated ND, the Purchaser shall pay to the Vendor an amount equal to the difference; and

(iv) if the Actual ND is more than the Estimated ND, the Vendor shall refund to the Purchaser an amount equal to the difference.

The abovementioned amounts of difference payable by the Vendor and the Purchaser shall be set off against each other, such that only one adjustment payment (the "**Second Adjustment**") in respect of the balance (if any) shall be made on the Adjustment Date. The Purchaser is not obligated to pay any amount to the Vendor under the Second Adjustment unless the amount of the Second Adjustment exceeds NZ$1 million (equivalent to approximately HK$5.3 million).

Payment Terms

The Consideration will be satisfied in the following manner:

(i) the amount of Initial Purchase Price shall be paid by the Purchaser to the Vendor at Completion;

(ii) the Second Adjustment shall be paid by the Purchaser or the Vendor (as the case may be) on the Adjustment Date (if applicable); and

(iii) the Escrow Amount shall be released to the Vendor and the Purchaser (as the case may be) on a date falling six months after Completion.

Any party to the Agreement who is default in payment under the Agreement shall pay to the other party interest on the relevant amount of defaulted payment with the annual simple interest rate being 8% per annum, which shall be calculated and payable on a daily basis.

Conditions Precedent

Completion is conditional upon fulfilment of the following Conditions:

(i) consent to the transfer of Sale Shares under Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 being given to the Purchaser on terms and conditions acceptable to the Purchaser (acting reasonably); and

(ii) shareholders' approvals on the Disposal of both BCPRC and the Company being obtained.

The Condition in (a) may not be waived and the Condition in (b) may only be waived by agreement in writing between the Vendor and the Purchaser where permitted by applicable law.

The Agreement shall be terminated upon written notice given by (i) the Vendor or the Purchaser if any of the Conditions are not satisfied by the Long Stop Date provided that such party is not in breach of a material obligation under the Agreement or (ii) the non-defaulting Vendor or the non-defaulting Purchaser (as the case may be) if the Purchaser or the Vendor defaults in any material respect in the performance of any of its obligations at

Completion and such default has not been remedied within 10 Business Days from the date of written notice from the non-defaulting party requiring the defaulting party to remedy such default. Upon such termination of the Agreement, the Agreement, save and except for certain clauses, shall be of no further force or effect.

Pre-Completion Permitted Acts

Before Completion, but subject to compliance with applicable laws, member(s) of the Target Group may (a) pay cash dividends provided that, among others, if any such dividend is declared, then it must be paid prior to Completion and the imputation credit account of the Target Company must not have a debit balance at Completion or (b) pay principals, interests or other moneys payable in respect of any financial indebtedness of the Target Group (other than owed to another member of the Target Group).

Completion

Completion shall take place on (i) the last Business Day of the month in which the final outstanding Condition is satisfied or waived (if capable of waiver), or the last Business Day of the following month if such Condition is satisfied or waived less than twelve (12) Business Days before the end of a month; or (ii) such other date as the Vendor and the Purchaser may agree in writing.

Settlement of Vendor Debt Balance and Cash Advance Facility Balance

If there is any Vendor Debt Balance and/or Cash Advance Facility Balance, the Purchaser shall, at Completion, provide to the Target Company a loan with an amount equal to the Vendor Debt Balance and/or Cash Advance Facility Balance for the purpose of the Target Group's repayment of the Vendor Debt Balance and the Cash Advance Facility Balance. Such loan shall be paid by the Purchaser upon the direction from the Target Company at Completion directly to (i) the Vendor's designated bank account, in order to settle the Vendor Debt and obtain releases of the encumbrances securing the Vendor Debt; and (ii) ANZ Bank New Zealand Limited at its nominated account to settle in full the Cash Advance Facility Balance and obtain the releases of the encumbrances securing the Cash Advance Facility Balance.

Vendor Liability

The Vendor shall be liable to the Purchaser for breach of the Agreement or any other Claim, subject to certain exceptions stated in the Agreement, provided that the Vendor shall not be liable for any breach or Claims for breach of warranty except in certain limited circumstances, on the basis that the Purchaser's recourse for breach of warranties is to be against the insurance policy to be purchased by the Purchaser.

In the event that the Target Company loses certain specific material businesses prior to the Completion as a result of the Disposal or certain specific breach by the Vendor of the Agreement, relevant agreed-upon value of such businesses ("**Completion Deductible**") shall be deducted from the Initial Purchase Price. In addition, in the event that the Target Company is reasonably expected to lose certain specific material businesses within six months following the Completion as a result of the Disposal or certain specific breach by the Vendor of the Agreement, relevant agreed-upon value of such businesses shall be deducted from the Initial Purchase Price ("**Escrow Amount**") and placed in an escrow account, which will be released to (i) the Vendor if the relevant businesses are retained by the Company within such six-month period and (ii) the Purchaser if the relevant businesses are actually lost within such six-month period. The aggregate amount of the value of the losses of such businesses described above is subject to a cap of NZ$150,000,000 (equivalent to approximately HK$794,100,000).

INFORMATION OF THE VENDOR AND THE GROUP

The Vendor is a company incorporated in Hong Kong with limited liability and a direct non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, the Vendor is owned as to 51% by the Company and 49% by BCHK. The Vendor is principally engaged in investment holding.

The Company is an exempted company incorporated in the Cayman Islands with limited liability and an investment holding company. The Group is principally engaged in the provision of waste treatment technologies and services, with a focus on technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

INFORMATION OF THE PURCHASER

The Purchaser, Tui Bidco Limited, is a company incorporated in New Zealand with limited liability.

The ultimate holding company of the Purchaser is First Sentier Investors (Australia) RE Ltd ("**FSI ARE**"), an Australian Public Company (ACN: 006 464 428). FSI ARE forms part of the First Sentier Investors Group, a global asset management business and that is ultimately owned by Mitsubishi UFJ Financial Group, Inc. ("**MUFG**"), a global financial group listed on Tokyo Stock exchange and NYSE.

First Sentier Investors is one of the largest investment managers in Australia with US$183.8 billion funds under management as at 31 December 2021 and 246 investment focused employees located in offices in Sydney, New York, London, Edinburgh, Dublin, Paris, Singapore, Frankfurt, Tokyo and Hong Kong.

In March 2022, the unlisted infrastructure business of First Sentier Investors, which is the team managing Tui Bidco Limited, was rebranded as Igneo Infrastructure Partners. The change did not impact legal names and structures, investment philosophy and processes of the relevant Registered Investment Advisers providing services with respect to unlisted infrastructure assets.

As one of the global pioneers of infrastructure investment, Igneo Infrastructure Partners has over 25 years' experience in making infrastructure investments across sectors and through different economic cycles on behalf of over 100 institutional investors.

Igneo Infrastructure Partners comprises more than 75 infrastructure professionals located across offices in Sydney, London and New York. These professionals have significant investment management, transactional and operational asset management experience, including specialist sector and industry expertise across waste, utility and transport sectors.

FSI ARE is considered to be the ultimate holding company of the Purchaser in its capacity as (i) the trustee of Global Diversified Infrastructure Fund (Australia) ("**GDIF Australia**") which forms part of the Global Diversified Infrastructure Fund ("**GDIF**"), and (ii) the trustee of First Sentier Investors Infrastructure Income Fund and First Sentier Investors Active Infrastructure Income Fund ("**IIF/AIIF**"). These investment funds (the "**Funds**") invest in unlisted, economic infrastructure businesses in OECD countries, and have a wide base of institutional, wholesale, qualified investors.

GDIF

GDIF is a quadruple linked structure comprising of two unlisted and unregistered Australian unit trusts (GDIF Australia and GDIF Active), an unlisted Cayman Islands domiciled unit trust (GDIF International) and a Delaware limited partnership (GDIF North America).

The trustee or general partner of GDIF Australia and GDIF Active is FSI ARE, a licensed Australian financial services provider and an SEC-registered investment adviser under the Advisers Act. The managers (both being SEC-registered investment advisers under the Advisers Act, and part of First Sentier Investors Group) for GDIF Australia and GDIF Active is First Sentier Investors (Australia) Infrastructure Managers Pty Ltd.

The trustee or general partner of GDIF International is Butterfield Trust (Cayman) Limited, which is incorporated in the Cayman Islands, and is an external, independent Cayman service provider. The managers (both being SEC-registered investment advisers under the Advisers Act, and part of First Sentier Investors Group) for GDIF International is First Sentier Infrastructure Managers (International) Limited.

The trustee or general partner of GDIF North America is First Sentier Investors (US) Infrastructure GP LLC, a Delaware limited liability company which is wholly owned by First Sentier Investments (US) LLC (which itself is held in accordance with US banking laws through an intermediate holding company that is part of the group of MUFG, a global financial group, listed at Tokyo Stock Exchange and New York Stock Exchange. The managers (both being SEC-registered investment advisers under the Advisers Act, and part of First Sentier Investors Group) for GDIF North America is First Sentier Infrastructure Managers (International) Limited.

IIF/AIIF

IIF/AIIF is a stapled investment fund structure. The trustee of IIF/AIIF is FSI ARE as described above. The manager of IIF/AIIF is First Sentier Investors (Australia) Infrastructure Holdings Ltd, an Australian entity providing specialist investment advisory services to the companies within First Sentier Investors Group.

INFORMATION OF THE TARGET COMPANY AND THE TARGET GROUP

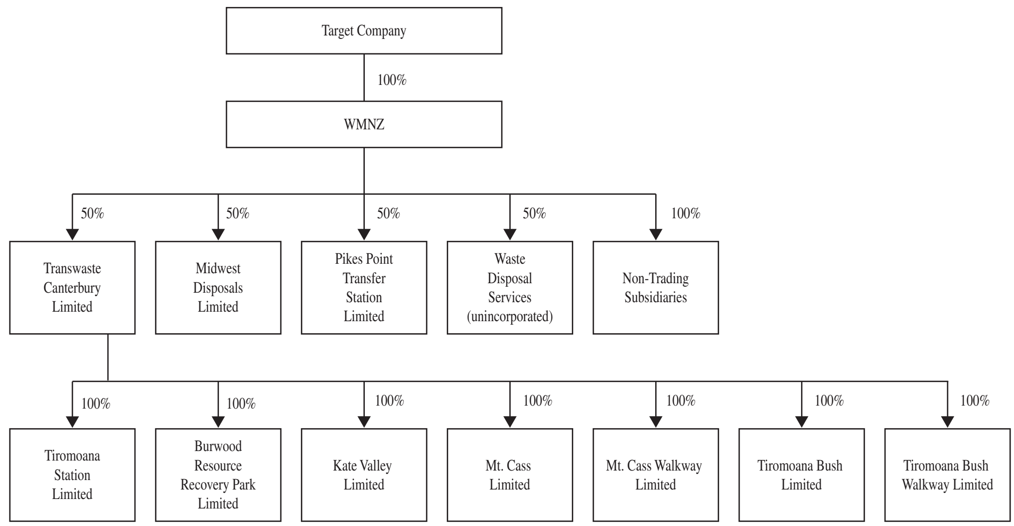
The Target Company

The Target Company is a company incorporated in New Zealand with limited liability. The business scope of the Target Company is resource recovery, recycling, storage and waste disposal services provided through its operating entities. It is a direct wholly-owned subsidiary of the Vendor, which is owned as to 51% and 49% by the Company and BCHK respectively.

The Target Group

The Target Group comprises the Target Company, its subsidiaries (including the Non-Trading Subsidiaries) and 50% controlled joint venture entities. WMNZ is the main operating subsidiary of the Target Group and a limited liability company incorporated in New Zealand. WMNZ is engaged in the business of collection, recovery, recycling and landfilling of solid waste and liquids for residential, commercial and municipal customers, as well as hazardous waste collection and treatment services.

Set out below is the simplified shareholding structure of the Target Group as at the Latest Practicable Date:



Financial Information

Set out below is certain financial information of the Target Group for the two years ended 31 December 2021:

	For the years ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	2,259,252	2,506,661
Net Loss before taxation	(18,957)	(40,302)
Net Loss after taxation	(1,162)	(12,721)

The unaudited total assets of the Target Group as at 31 December 2021 was approximately RMB6,993.34 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, all Vendor Debt (if any) shall be discharged and settled, and the Target Company will cease to be a subsidiary of the Company and the Group will cease to have any interest in the Target Group. The financial results of the Target Group will no longer be consolidated with the financial statements of the Group following Completion.

For illustrative purpose and based on the exchange rate of NZ$1 = RMB4.3284 (being the buying rate published by the Bank of China), the Disposal is expected to give rise to a gain of approximately RMB3,061 million, calculated with reference to (x) the sum of unadjusted Initial Purchase Price and the estimated Vendor Debt Balance, being NZ$1,880 million (equivalent to approximately HK$9,953 million), less (y)(i) the estimated Vendor Debt Balance, being NZ$788 million (equivalent to approximately HK$4,169 million), (ii) the unaudited net book value of the Target Company attributable to the Group as at 31 December 2021, being approximately RMB1,311 million, (iii) the estimated transaction costs, tax and expenses for the Disposal, being approximately RMB61 million, and (iv) other comprehensive income adjustment of approximately RMB297 million. The actual gain from the Disposal will be determined based on the actual amount of the Consideration to be received by the Group, the financial position of the Target Group at Completion and subject to the review and final audit by the auditors of the Company. There will be no material impact on the overall operations of the Group as a consequence of the Disposal.

Financial Effects on Earnings, Assets and Liabilities of the Group

Upon Completion, the income statements and balance sheet of the Target Group will no longer be consolidated to the consolidated income statement and balance sheet of the Group going forward. For illustrative purpose, based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, (i) assuming that the Disposal had been completed on 1 January 2021, the total revenue of the Remaining Group would decrease from RMB7,902,604,000 to RMB5,395,943,000 in 2021, and (ii) assuming that the Disposal had been completed on 31 December 2021, (a) the total assets of the Remaining Group would increase from approximately RMB26,173,239,000 to approximately RMB27,239,121,000 as at 31 December 2021, and (b) the total liabilities of the Remaining Group would decrease from approximately RMB18,456,618,000 to RMB16,180,232,000 as at 31 December 2021.

For further details, please refer to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular.

USE OF PROCEEDS

The Group expects to record gross proceeds of approximately NZ$1,880 million (equivalent to approximately HK$9,953 million), based on the unadjusted Initial Purchase Price and estimated Vendor Debt Balance. The unadjusted Initial Purchase Price is calculated by (i) deducting (a) the estimated Vendor Debt Balance and (b) the estimated Cash Advance Facility Balance determined with reference to its balance as at 31 December 2021 of NZ$20 million (equivalent to approximately HK$106 million) from the Enterprise Value of NZ$1,900 million (equivalent to approximately HK$10,059 million); and (ii) assuming Escrow Amount, Completion Deductible and First Adjustment to be zero. As the Vendor Debt will be settled by the Purchaser on Completion, the estimated Vendor Debt Balance is added to the unadjusted Initial Purchase Price for the purpose of calculating the total gross proceeds expected to be received by the Group.

The Group also expects to record net proceeds of approximately NZ$1,866 million (equivalent to approximately HK$9,878 million), after deducting the related transaction costs and expenses and tax from the Disposal. The amount of net proceeds from the Disposal, after repayment of the outstanding liabilities of the Vendor, including but without limitation, the existing shareholders' loans due from the Vendor to BCHK and the Company and the loan due from the Vendor to BCG Chinastar in the outstanding principal amount of approximately NZ$319 million (equivalent to approximately HK$1,688 million) as at the Latest Practicable Date (if it then becomes due or not yet repaid upon Completion) will be shared between the Company and BCHK pro rata to their shareholding in the Vendor as to 51% and 49% respectively.

The 51% attributable to the Group in the amount of approximately HK$4,174 million, taking into account the existing shareholders' loan due from the Vendor to the Company, will be used by the Group in the following manner: (i) approximately 35-40% of the net proceeds, or approximately HK$1,460.9 million – HK$1,669.6 million, will be used for repayment of the Group's existing loans and liabilities as they fall due; (ii) approximately 40% of the net proceeds, or approximately HK$1,669.6 million, will be used for redemption of the cumulative perpetual non-voting and non-convertible preference shares issued by the Company to BCHK and BCG Chinastar on 22 December 2020, 31 December 2020 and 14 May 2021, respectively; and (iii) approximately 20-25%, or approximately HK$834.8 million – HK$1,043.5 million, will be used for potential new investments and construction costs of the Group's existing projects. Among which, it is expected that approximately 5% of the net proceeds, or approximately HK$208.7 million, will be allocated for potential new investments of the Group and approximately 15-20% of the net proceeds, or approximately HK$626.1 million – HK$834.8 million, will be allocated for construction costs of the Group's existing projects.

With a view to maintain the growth momentum of the Company's existing business and to solidify its strategic core competence in business synergy and market expansion, the Company wishes to launch new kitchen waste treatment project in Nanchang which will adopt its anaerobic digestion technology and new Phase II project in Huizhou for the expansion of the existing operations in Huizhou involving construction of new incineration plant. The Company is currently exploring and discussing with relevant governmental authorities and other parties on potential investments and developments. Save as disclosed above, as at the Latest Practicable Date, the Company has not identified any other acquisition or investment targets and has not entered into any agreement, arrangement or undertaking to acquire any new business or assets.

In terms of existing projects, the Company intends to allocate the net proceeds for (i) construction of new solid waste incineration power generation plant in Quanling, Nanchang for the Group's Nanchang Solid Waste Incineration Power Generation Plant Phase II and (ii) construction of incineration power generation plant, and purchase and installation of machineries under the Group's recently acquired Zhumadian ECO-WASTE Technology Co., Ltd. (駐馬店泰來環保能源有限公司) and the corresponding PPP project in relation to comprehensive harmless treatment and recycling of solid waste in Zhumadian City, Henan Province. It is currently estimated that the construction of the new solid waste incineration power generation plant in Quanling, Nanchang and the incineration power generation plant under the PPP project in Zhumadian will be completed by third quarter of 2022 and fourth quarter of 2022, respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In 2016, the Group acquired the Target Group, which was then the largest waste management service provider in New Zealand, to promote its brand in overseas market and consolidate its leadership in the environmental industry. In the past few years, the Group has explored synergistic demands, industry integrations and collaborations between its domestic and overseas business and has repeatedly been awarded as the Top Ten Influential Enterprises in the solid waste industry by virtue of outstanding market influence and clear strategic positioning. However, in light of the latest market sentiment and uncertainties in international relations, the Company intends to focus on its waste treatment and waste-to-energy business development in the PRC in the long run. The Disposal, namely the disposal of the Group's entire business segment in New Zealand, represents a good opportunity of the Group to realise its overseas investment for cash and reposition its strategic focus in the PRC. The Disposal is a key step of the Group's business strategy which will enable the Group to reallocate and consolidate the capital and human resources originally used in the Target Group to its business development in the PRC. In addition, as set out in the "Use of Proceeds" section above, a considerable amount of the net proceeds will be used to repay the existing loans and liabilities of the Group which will reduce the indebtedness of the Group and strengthen the financial position of the Group.

In light of the above, the Directors are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

VOTING UNDERTAKING

On 31 March 2022, BCHK signed an irrevocable undertaking to the Company that it will, after the Disposal is approved by the shareholders at the general meeting of BCPRC, vote in favour of the relevant resolution(s) to be proposed at the EGM for approving the Disposal. On 31 March 2022, BCG Chinastar signed an irrevocable undertaking to the Company that it will vote in favour of the relevant resolution(s) to be proposed at the EGM for approving the Disposal. As at the Latest Practicable Date, the number of Shares held by BCHK and BCG Chinastar amounted to 6,449,026,736 Shares and 3,116,767,072 Shares, respectively, representing approximately 45.11% and 21.80% of the total issued Shares, respectively.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has material interest in the Disposal and hence no Director was required to abstain from voting on the relevant resolution(s) of the Board approving the Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened at 6/F, Building 1, Xindadu Hotel, 21 Chegongzhuang Street, Xicheng District, Beijing, China on 14 June 2022, Tuesday at 2:30 p.m. for the purpose of the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

To the best knowledge, information and belief of the Directors and having made reasonable enquiries, no Shareholder has a material interest in the Disposal as at the Latest Practicable Date and as such, none of the Shareholders are required to abstain from voting on the relevant resolution at the EGM to approve the Disposal and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting of the Company must be taken by poll. Accordingly, the chairman of the EGM will demand a poll for every resolution put to the vote at the EGM pursuant to article 66 of the Articles of Association. Additionally, the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular, which contain further information on the Disposal and other information required to be disclosed under the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolutions in respect of the Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of the Board of
Capital Environment Holdings Limited
Cao Guoxian
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the years ended 31 December 2019 (pages 44 to 152), 2020 (pages 45 to 154) and 2021 (pages 49 to 159), respectively, which are published on both the websites of HKExnews (www.hkexnews.hk) and the Company (http://www.cehl.com.hk/) and which can be accessed by the direct hyperlinks below:

- annual report of the Company for the year ended 31 December 2019 (pages 44 to 152):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401420.pdf

- annual report of the Company for the year ended 31 December 2020 (pages 45 to 154):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700685.pdf

- annual report of the Company for the year ended 31 December 2021 (pages 49 to 159):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601360.pdf

2. INDEBTEDNESS STATEMENT

As at 31 March 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the details of the Group's outstanding borrowings, contingent liabilities, lease liabilities and capital commitments were set out as follows:

Borrowings

	RMB'000
Corporate bonds issued by the Group on 29 May 2020	997,993
Bank borrowings – secured and guaranteed	3,629,865
Bank borrowings – secured and unguaranteed	898,985
Bank borrowings – unsecured and guaranteed	2,304,436
Bank borrowings – unsecured and unguaranteed	1,915,545
Other borrowings – secured and guaranteed	259,926
Other borrowings – secured and unguaranteed	69,000
Other borrowings – unsecured and guaranteed	700,000
Other borrowings – unsecured and unguaranteed	2,078,865

As at 31 March 2022, the corporate bonds issued by the Group in the carrying amount of RMB997,993,000 was guaranteed by Beijing Capital Group Co., Ltd.

As at 31 March 2022, the Group's bank borrowings of (i) approximately RMB3,453,183,000 was secured by service concession arrangements of the Group and guaranteed by certain subsidiaries of the Group; (ii) RMB176,682,000 was guaranteed by a subsidiary of the Group, and was secured by the leasehold land with a carrying amount of RMB37,338,000; (iii) approximately RMB898,985,000 was secured by service concession arrangements of the Group; (iv) approximately RMB254,130,000 was guaranteed by a subsidiary of the Group; (v) approximately RMB145,846,000 was guaranteed by a subsidiary of the Group and Beijing Construction Engineering Group Co., Ltd; and (vi) approximately RMB1,904,460,000 was guaranteed by Beijing Capital Eco-Environment Protection Group Co., Ltd.

As at 31 March 2022, the Group's other borrowings of (i) approximately RMB259,926,000 was secured by service concession arrangements of the Group and guaranteed by a subsidiary of the Group; (ii) approximately RMB69,000,000 was secured by service concession arrangements of the Group; and (iii) approximately RMB700,000,000 was guaranteed by Beijing Capital Group Co., Ltd.

Contingent Liabilities

As at 31 March 2022, the Group (i) provided guarantees of approximately RMB346,398,000 to the government authorities of New Zealand in respect of landfills, waste collection contracts and other activities, (ii) provided performance guarantees of approximately RMB205,825,000 to the government authorities of the People's Republic of China in relation to the construction and operation services according to the service concession arrangements and (iii) had contingent liabilities of RMB38,958,000 in relation to an arbitration with the former shareholder of Huizhou Guanghui Energy Company Limited, a subsidiary of the Company, in connection with an equity transfer dispute. As at the Latest Practicable Date, the arbitration is ongoing, and the Directors considered the compensation arising from such arbitration would be limited based on the current information.

Lease Liabilities

As at 31 March 2022, the lease liabilities of the Group amounted to approximately RMB1,377,793,000.

Capital Commitments

As at 31 March 2022, the Group had commitments of approximately RMB1,096,661,000 and RMB173,555,000 in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at 31 March 2022, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date and to the best knowledge of the Directors, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseen circumstances and after taking into account (i) the effect of the Disposal; (ii) the financial resources available to the Group, including internally generated funds, existing banking and other financing facilities; and (iii) the business prospects of the Group, the Group has sufficient working capital for its business for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the businesses of providing waste treatment technologies and services and specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. There is no change in the Group's principal activities since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, and there is not expected to be any change to the Group's principal business as a result of the transactions.

6. MATERIAL ACQUISITION OR DISPOSAL

Save for the Disposal, the Group had not carried out any material acquisition or disposal after 31 December 2021, being the date to which the latest published audited accounts of the Company have been made up, and up to the Latest Practicable Date.

7. SIGNIFICANT INVESTMENT

Save as disclosed above in this circular, the Group did not have any other significant investments after 31 December 2021, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the Latest Practicable Date.

UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated statements of financial position of Beijing Capital Group NZ Investment Holding Limited (the "**Target Company**") and its subsidiaries (the "**Target Group**") as at 31 December 2019, 2020 and 2021, and the related unaudited consolidated statements of profit or loss, the unaudited consolidated statements of comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flow for the years ended 31 December 2019, 2020 and 2021 (the "**Relevant Periods**"), and explanatory notes (collectively referred to as the "**Unaudited Consolidated Financial Information**").

The Unaudited Consolidated Financial Information has been prepared on the basis set out in note 2 to the Unaudited Consolidated Financial Information below and prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Unaudited Consolidated Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal. The Company's auditor, Ernst & Young, was engaged to review the Unaudited Consolidated Financial Information of the Target Group set out in pages II-2 to II-11 of this circular in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review on the Unaudited Consolidated Financial Information of the Target Group, nothing has come to the auditor's attention that causes them to believe that the Unaudited Consolidated Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Consolidated Financial Information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TARGET GROUP

For the three years ended 31 December 2019, 2020 and 2021

	2019	2020	2021
	RMB	*RMB*	*RMB*
	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	2,370,870,564	2,259,252,954	2,506,661,258
Cost of sales	(1,617,492,282)	(1,582,672,306)	(1,744,858,685)
Gross profit	753,378,282	676,580,648	761,802,573
Other income and gains	6,509,656	49,915,894	5,092,577
Administrative expenses	(387,894,511)	(404,701,825)	(410,393,395)
Other expenses	(23,895,074)	(23,367,828)	(57,289,888)
Finance costs	(307,063,563)	(357,141,988)	(394,066,572)
Share of profits of joint ventures	40,918,828	39,758,321	54,552,934
PROFIT/(LOSS) BEFORE TAX	81,953,618	(18,956,778)	(40,301,771)
Income tax (expense)/credit	(5,037,031)	17,795,052	27,581,127
PROFIT/(LOSS) FOR THE YEAR	76,916,587	(1,161,726)	(12,720,644)
Attributable to:			
Owners of the parent	76,916,587	(1,161,726)	(12,720,644)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE TARGET GROUP

For the three years ended 31 December 2019, 2020 and 2021

	2019	2020	2021
	RMB	*RMB*	*RMB*
	(Unaudited)	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE YEAR	76,916,587	(1,161,726)	(12,720,644)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	(54,669,920)	(10,101,978)	(14,950,745)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	27,336,016	14,640,755	37,703,723
Income tax effect	7,653,622	(1,270,858)	(6,839,641)
	(19,680,282)	3,267,919	15,913,337
Exchange difference:			
Exchange differences on translation of foreign operations	25,558,321	231,816	(115,911,677)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	5,878,039	3,499,735	(99,998,340)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	5,878,039	3,499,735	(99,998,340)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	82,794,626	2,338,009	(112,718,984)
Attributable to:			
Owners of the parent	82,794,626	2,338,009	(112,718,984)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TARGET GROUP

31 December 2019, 2020 and 2021

	31 December 2019	31 December 2020	31 December 2021
	RMB	*RMB*	*RMB*
	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	1,870,335,811	1,968,375,511	1,800,230,062
Right-of-use assets	1,233,699,585	1,307,577,022	1,241,928,707
Goodwill	2,073,561,794	2,073,754,303	1,905,119,558
Other intangible assets	1,350,121,976	1,299,632,921	1,162,719,438
Investments in joint ventures	451,469,316	452,529,032	401,708,189
Prepayments	43,052,917	42,650,361	52,735,443
Total non-current assets	7,022,241,399	7,144,519,150	6,564,441,397
CURRENT ASSETS			
Inventories	11,410,985	12,022,691	19,908,063
Trade receivables	377,155,433	286,718,237	241,185,958
Prepayments	21,197,598	19,368,655	21,912,595
Tax recoverable	5,358,278	–	11,413,343
Assets held for sale	9,674,681	3,901,222	12,135,603
Cash and cash equivalents	4,997,445	122,213,940	122,340,034
Total current assets	429,794,420	444,224,745	428,895,596
CURRENT LIABILITIES			
Trade payables	125,126,395	122,302,802	89,974,875
Other payables and accruals	283,924,667	320,693,913	339,125,385
Derivative financial instruments	20,134,454	24,679,138	656,314
Interest-bearing bank borrowings	199,120,576	140,900,280	86,294,980
Loans from the immediate holding company	–	2,991,874,248	2,727,867,520
Lease liabilities	52,426,570	54,411,399	74,799,226
Tax payable	–	1,146,692	–
Other current liabilities	28,476,804	–	–
Total current liabilities	709,209,466	3,656,008,472	3,318,718,300
NET CURRENT LIABILITIES	(279,415,046)	(3,211,783,727)	(2,889,822,704)
TOTAL ASSETS LESS CURRENT LIABILITIES	6,742,826,353	3,932,735,423	3,674,618,693

	31 December 2019	31 December 2020	31 December 2021
	RMB	*RMB*	*RMB*
	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	3,523,782,911	611,026,251	605,062,357
Lease liabilities	1,179,953,661	1,301,076,113	1,247,940,108
Deferred tax liabilities	384,466,750	342,260,330	293,271,956
Provision	223,538,419	254,496,830	217,813,350
Derivative financial instruments	10,172,715	625,993	–
Total non-current liabilities	5,321,914,456	2,509,485,517	2,364,087,771
Net assets	1,420,911,897	1,423,249,906	1,310,530,922
EQUITY			
Equity attributable to owners of the parent			
Share capital	1,139,017,695	1,139,017,695	1,139,017,695
Reserves	281,894,202	284,232,211	171,513,227
Total equity	1,420,911,897	1,423,249,906	1,310,530,922

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TARGET GROUP

For the three years ended 31 December 2019, 2020 and 2021

	Share capital *RMB*	Capital note reserve *RMB*	Cash flow hedge reserve *RMB*	Exchange fluctuation reserve *RMB*	Retained profits *RMB*	Total equity *RMB*
At 1 January 2019 (unaudited)	1,139,017,695	243,703,293	–	(206,499,323)	161,895,606	1,338,117,271
Profit for the year	–	–	–	–	76,916,587	76,916,587
Other comprehensive income for the year:						
Cash flow hedges, net of tax	–	–	(19,680,282)	–	–	(19,680,282)
Exchange differences on translation of foreign operations	–	–	–	25,558,321	–	25,558,321
Total comprehensive income for the year	–	–	(19,680,282)	25,558,321	76,916,587	82,794,626
At 31 December 2019 (unaudited)	1,139,017,695	243,703,293*	(19,680,282)*	(180,941,002)*	238,812,193*	1,420,911,897

	Share capital *RMB*	Capital note reserve *RMB*	Cash flow hedge reserve *RMB*	Exchange fluctuation reserve *RMB*	Retained profits *RMB*	Total equity *RMB*
At 1 January 2020 (unaudited)	1,139,017,695	243,703,293	(19,680,282)	(180,941,002)	238,812,193	1,420,911,897
Loss for the year	–	–	–	–	(1,161,726)	(1,161,726)
Other comprehensive income for the year:						
Cash flow hedges, net of tax	–	–	3,267,919	–	–	3,267,919
Exchange differences on translation of foreign operations	–	–	–	231,816	–	231,816
Total comprehensive income for the year	–	–	3,267,919	231,816	(1,161,726)	2,338,009
At 31 December 2020 (unaudited)	1,139,017,695	243,703,293*	(16,412,363)*	(180,709,186)*	237,650,467*	1,423,249,906

	Share capital	Capital note reserve	Cash flow hedge reserve	Exchange fluctuation reserve	Retained profits	Total equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 1 January 2021 (unaudited)	1,139,017,695	243,703,293	(16,412,363)	(180,709,186)	237,650,467	1,423,249,906
Loss for the year	–	–	–	–	(12,720,644)	(12,720,644)
Other comprehensive income for the year:						
Cash flow hedges, net of tax	–	–	15,913,337	–	–	15,913,337
Exchange differences on translation of foreign operations	–	–	–	(115,911,677)	–	(115,911,677)
Total comprehensive income for the year	–	–	15,913,337	(115,911,677)	(12,720,644)	(112,718,984)
At 31 December 2021 (unaudited)	1,139,017,695	243,703,293*	(499,026)*	(296,620,863)*	224,929,823*	1,310,530,922

Notes:

* These reserve accounts comprise the consolidated reserves of RMB281,894,202, RMB284,232,211 and RMB171,513,227 as at 31 December 2019, 2020 and 2021 in the unaudited consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE TARGET GROUP

For the three years ended 31 December 2019, 2020 and 2021

	2019	2020	2021
	RMB	*RMB*	*RMB*
	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	81,953,618	(18,956,778)	(40,301,771)
Adjustments for:			
Finance costs	307,063,563	357,141,988	394,066,572
Share of profits of joint ventures	(40,918,828)	(39,758,321)	(54,552,934)
Interest income	(1,237,857)	(189,090)	(225,889)
Gain on disposal of items of property, plant and equipment	(169,211)	(825,186)	(3,041,492)
Fair value gains, net:			
Derivative instruments – transaction not qualifying as hedges	(3,672,124)	(454,615)	–
Fair value adjustment of contingent consideration	(4,551,135)	–	–
Depreciation of property, plant and equipment	219,277,170	237,812,639	261,286,794
Depreciation of right-of-use assets	40,333,515	41,967,505	59,705,089
Amortisation of other intangible assets	52,053,047	50,404,027	51,746,167
Impairment of trade receivables	221,217	6,320,155	19,418,309
Impairment of property, plant and equipment	–	1,076,160	–
Others	–	1,942,357	(16,728)
	650,352,975	636,480,841	688,084,117
Decrease/(increase) in inventories	1,698,743	(582,996)	(9,377,089)
Decrease in trade receivables	4,116,037	80,055,291	4,087,004
Decrease/(increase) in prepayments	16,515,344	14,950,857	(7,175,735)
Decrease in trade payables	(23,370,873)	(2,706,826)	(10,103,792)
(Decrease)/increase in other payables and accruals	(84,893,357)	(4,547,782)	18,915,719
Decrease in provision for restoration	(5,397,330)	(3,168,849)	(7,054,535)
Others	(85,798)	(980,436)	–
Cash generated from operations	558,935,741	719,500,100	677,375,689
Interest received	1,249,414	189,090	225,889
Taxes paid	(36,895,120)	(43,367,888)	(42,201,754)
Net cash flows from operating activities	523,290,035	676,321,302	635,399,824

	2019 *RMB* (Unaudited)	2020 *RMB* (Unaudited)	2021 *RMB* (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures	56,206,517	38,786,609	69,388,015
Purchases of items of property, plant and equipment	(329,262,643)	(282,156,485)	(294,013,291)
Proceeds from disposal of items of property, plant and equipment	2,986,336	4,894,224	8,580,879
Additions to other intangible assets	–	(579,472)	–
Decrease/(increase) in assets held for sale	12,466,510	5,512,882	(9,047,611)
Others	–	–	16,728
Net cash flows used in investing activities	(257,603,280)	(233,542,242)	(225,075,280)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	10,012,497	47,530,411	–
Repayment of bank loans	–	(103,132,023)	(45,650,010)
Repayment of other loans	(54,615,509)	(44,091,922)	(37,101,154)
Principal portion of lease payments	(32,674,350)	(25,624,855)	(30,095,971)
Interest paid	(173,226,106)	(178,362,582)	(286,829,326)
Repayment of bank overdrafts	(12,665,675)	(27,189,841)	–
Net cash flows used in financing activities	(263,169,143)	(330,870,812)	(399,676,461)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,517,612	111,908,248	10,648,083
Cash and cash equivalents at beginning of year	2,357,740	4,997,445	122,213,940
Effect of foreign exchange rate changes, net	122,093	5,308,247	(10,521,989)
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,997,445	122,213,940	122,340,034
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	4,997,445	122,213,940	122,340,034
Cash and cash equivalents as stated in the statement of cash flows	4,997,445	122,213,940	122,340,034

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

1. GENERAL INFORMATION

Capital Environment Holdings Limited (the "**Company**") is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the waste treatment and waste-to-energy business.

Beijing Capital Group NZ Investment Holding Limited (the "**Target Company**") is a private limited liability company incorporated and domiciled in New Zealand and it is an indirect subsidiary of the Company which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activity of the Target Company and its subsidiaries (the "**Target Group**") are involved in waste management services.

2. BASIS OF PREPARATION

The unaudited consolidated financial information of the Target Group for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and solely for the purpose of inclusion in the circular of the Company in connection with the disposal of the Target Group.

The unaudited consolidated financial information of the Target Group has been prepared on the historical cost basis, except for derivative financial instruments which are measured at fair value. The unaudited financial information of the Target Group for the years ended 31 December 2019, 2020 and 2021 (the "**Relevant Periods**") have been prepared using the same accounting policies as those adopted by the Company in the preparation of the consolidated financial statements of the Group for the Relevant Periods. The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). These financial information are presented in Renminbi ("**RMB**").

This unaudited consolidated financial information does not contain sufficient information to constitute a complete set of financial statements as described in HKAS 1 "Presentation of Financial Statements" or a complete interim financial report as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA. It should be read in conjunction with the respective annual reports of the Group for the Relevant Periods.

The Target Group's current liabilities exceeded current assets by RMB279,415,046, RMB3,211,783,727 and RMB2,889,822,704 as at 31 December 2019, 2020 and 2021, respectively. The Directors of the Company are satisfied that the Target Group will have sufficient financial resources to meet its financial obligations as the Group have agreed to provide adequate financial support to the Target Group in the foreseeable future. Accordingly, the Directors have prepared the Unaudited Consolidated Financial Information of the Target Group on a going concern basis.

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative and the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 of the Group excluding the Target Group upon the completion of the Disposal (the "**Remaining Group**") (collectively the "**Unaudited Pro Forma Financial Information**") which have been prepared to illustrate the effect of the Disposal (i) as if the Disposal had been completed on 31 December 2021 for the unaudited pro forma consolidated statement of financial position, and (ii) as if the Disposal had been completed on 1 January 2021 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position, the financial performance and cash flows of the Remaining Group had the Disposal been completed as at 31 December 2021 or 1 January 2021, where applicable, or any future dates.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2021, which has been extracted from the published annual report of the Company for the year ended 31 December 2021, after making certain pro forma adjustments that are directly attributable to the Disposal and factually supportable, as set out below.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021, which have been extracted from the published annual report for the year ended 31 December 2021, after making certain pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published annual report of the Company for the year ended 31 December 2021, the financial information of the Target Group as set out in Appendix II to this circular, the Company's announcement dated 3 April 2022 and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account the financial effect arising from any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Remaining Group.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 31 December 2021	**Pro forma adjustments**		**Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	
Non-current assets				
Property, plant and equipment	2,439,493	(1,800,230)		639,263
Right-of-use assets	1,310,731	(1,241,929)	3,705	72,507
Goodwill	1,941,793	(1,905,120)		36,673
Other intangible assets	4,924,125	(1,162,719)		3,761,406
Investments in joint ventures	401,708	(401,708)		–
Investments in associates	40,406	–		40,406
Trade receivables	193,676	–		193,676
Equity investments designated at fair value through other comprehensive income	16,665	–		16,665
Deferred tax assets	10,803	–		10,803
Concession financial assets	5,796,419	–		5,796,419
Contract assets	2,707,184	–		2,707,184
Prepayments, other receivables and other assets	159,472	(52,735)		106,737
Pledged deposits	3,026	–		3,026
Total non-current assets	**19,945,501**	**(6,564,441)**	**3,705**	**13,384,765**

	The Group as at 31 December 2021	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	
Current assets				
Inventories	66,441	(19,908)		46,533
Concession financial assets	1,131,642	–		1,131,642
Contract assets	208,820	–		208,820
Trade receivables	1,444,970	(241,186)		1,203,784
Assets classified as held for sale	492,075	(12,136)		479,939
Prepayments, other receivables and other assets	1,157,724	(21,912)		1,135,812
Derivative financial instruments	1,766	–	(1,766)	–
Amounts due from associates	1,954	–		1,954
Tax recoverable	4,881	(11,413)	6,532	–
Pledged deposits	34,720	–		34,720
Cash and cash equivalents	1,682,745	(122,340)	8,050,747	9,611,152
Total current assets	**6,227,738**	**(428,895)**	**8,055,513**	**13,854,356**
Current liabilities				
Trade payables	2,062,996	(89,975)		1,973,021
Other payables and accruals	564,883	(339,125)	65,018	290,776
Deferred income	11,464	–		11,464
Derivative financial instruments	5,106	(656)	(1,766)	2,684
Interest-bearing bank and other borrowings	3,960,026	(86,295)		3,873,731
Lease liabilities	75,471	(74,799)		672
Amounts due to related parties	9,153	–		9,153
Loans from the Vendor	–	(2,727,868)	2,727,868	–
Tax payable	237,993	–	6,532	244,525
Liabilities directly associated with assets classified as held for sale	195,836	–		195,836
Total current liabilities	**7,122,928**	**(3,318,718)**	**2,797,652**	**6,601,862**
Net current assets/(liabilities)	**(895,190)**	**2,889,823**	**5,257,861**	**7,252,494**
Total assets less current liabilities	**19,050,311**	**(3,674,618)**	**5,261,566**	**20,637,259**

	The Group as at 31 December 2021	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	
Non-current liabilities				
Deferred income	235,726	–		235,726
Loans from the Vendor	–	(605,062)	605,062	–
Interest-bearing bank and other borrowings	7,770,598	–		7,770,598
Lease liabilities	1,244,235	(1,247,940)	3,705	–
Corporate bonds	996,514	–		996,514
Deferred tax liabilities	868,804	(293,272)		575,532
Provisions	217,813	(217,813)		–
Total non-current liabilities	**11,333,690**	**(2,364,087)**	**608,767**	**9,578,370**
Net assets	**7,716,621**	**(1,310,531)**	**4,652,799**	**11,058,889**
Equity				
Equity attributable to equity holders of the parent				
Issued capital	1,188,219			1,188,219
Other equity instruments	1,367,694			1,367,694
Reserves	3,654,983		1,704,557	5,359,540
	6,210,896		**1,704,557**	**7,915,453**
Non-controlling interests	1,505,725		1,637,711	3,143,436
Total equity	**7,716,621**		**3,342,268**	**11,058,889**

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Revenue	**7,902,604**	**(2,506,661)**			**5,395,943**
Cost of sales	(5,505,267)	1,744,859			(3,760,408)
Gross profit	2,397,337	(761,802)			1,635,535
Other income and gains	90,325	(5,093)		3,328,905	3,414,137
Administrative expenses	(804,441)	410,393			(394,048)
Impairment of other intangible assets	(63,731)	–			(63,731)
Other expenses	(236,675)	57,290			(179,385)
Finance costs	(580,502)	394,067	(321,416)		(507,851)
Share of profits of:					
Joint venture	54,553	(54,553)			–
Associates	3,991	–			3,991
Profit before tax	**860,857**	**40,302**	**(321,416)**	**3,328,905**	**3,908,648**
Income tax expenses	(287,718)	(27,581)	32,274		(283,025)
Profit for the year	**573,139**	**12,721**	**(289,142)**	**3,328,905**	**3,625,623**
Attributable to:					
Owners of the parent	510,746	6,488	(147,462)	1,697,741	2,067,513
Owners of the preference shareholders	53,425	–			53,425
Non-controlling interests	8,968	6,233	(141,680)	1,631,164	1,504,685
	573,139	**12,721**	**(289,142)**	**3,328,905**	**3,625,623**

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Profit for the Year	573,139	12,721	(289,142)	3,328,905	3,625,623
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments arising during the year	(12,371)	14,951			2,580
Reclassification adjustments for gains included in the consolidated statement of profit or loss	45,179	(37,704)			7,475
Income tax effect	(7,088)	6,840			(248)
	25,720	**(15,913)**			**9,807**
Exchange differences:					
Exchange differences on translation of foreign operations	(34,096)	115,911		197,114	278,929
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(8,376)	99,998		197,114	288,736

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value	(734)	–			(734)
Exchange differences:					
Exchange differences on translation of the parent company	(106,197)	–			(106,197)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(106,931)	–			(106,931)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(115,307)	99,998		197,114	181,805
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	457,832	112,719	(289,142)	3,526,019	3,807,428
Attributable to:					
Owners of the parent	484,072	57,487	(147,462)	1,798,270	2,192,367
Owners of the preference shareholders	53,424	–			53,424
Non-controlling interests	(79,664)	55,232	(141,680)	1,727,749	1,561,637
	457,832	112,719	(289,142)	3,526,019	3,807,428

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(d)*	*Note 3(c)*	
Cash flows from operating activities					
Profit before tax	860,857	40,302	(321,416)	3,328,905	3,908,648
Adjustments for:					
Depreciation of property, plant and equipment	301,080	(261,287)			39,793
Amortisation of other intangible assets	140,313	(51,746)			88,567
Depreciation of right-of-use assets	70,786	(59,705)			11,081
Gain on disposal of items of property, plant and equipment	(3,041)	3,041			–
Gain on termination of a service concession arrangement	(18,382)	–			(18,382)
Written-down of assets classified as held for sale to fair value	28,879	–			28,879
Gain on disposal of an associate	(5,401)	–			(5,401)
Impairment of prepayments, other receivables and other assets	11,406	–			11,406
Impairment of trade receivables	37,793	(19,418)			18,375
Impairment of concession financial assets and relevant contract assets	7,262	–			7,262
Impairment of property, plant and equipment	26,632	–			26,632
Impairment of other intangible assets	63,731	–			63,731
Impairment loss recognised on goodwill	6,766	–			6,766
Share of profits of joint ventures	(54,553)	54,553			–
Share of profits of associates	(3,991)	–			(3,991)
Interest income	(405,180)	226			(404,954)
Finance costs	580,502	(394,067)	321,416		507,851
Loss on disposal of a subsidiary	7,550	–			7,550
Loss on de-registration of subsidiaries	373	–			373
Other	–	17			17
Gain on the Disposal	–	–		(3,328,905)	(3,328,905)
	1,653,382	**(688,084)**			**965,298**

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(d)*	*Note 3(c)*	
Decrease in inventories	17,114	9,377			26,491
Increase in concession financial assets and relevant contract assets in relation to service concession arrangements	(1,712,370)	–			(1,712,370)
Increase in trade receivables	(578,514)	(4,087)			(582,601)
Increase in other contract assets	(88,761)	–			(88,761)
Increase in prepayments, other receivables and other assets	(34,471)	7,176			(27,295)
Increase in trade payables	245,508	10,104			255,612
Increase in other payables and accruals	77,084	(18,916)			58,168
Decrease in provision	(7,055)	7,055			–
Increase in deferred income	42,476	–			42,476
Cash used in operations	**(385,607)**	**(677,375)**			**(1,062,982)**
Income tax paid	(59,464)	42,202			(17,262)
Interest received	–	(226)			(226)
Net cash flows used in operating activities	**(445,071)**	**(635,399)**			**(1,080,470)**
Cash flows from investing activities					
Additions of other intangible assets in relation to service concession arrangements and relevant contract assets	(967,639)	–			(967,639)
Purchases of items of property, plant and equipment	(409,157)	294,013			(115,144)
Additions to other intangible assets	(2,539)	–			(2,539)
Proceeds from disposal of items of property, plant and equipment	9,037	(8,581)			456
Increase in assets held for sale	(22,431)	9,048			(13,383)
Interest received	12,772	–			12,772
Acquisition of subsidiaries	(138,117)	–			(138,117)

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(d)*	*Note 3(c)*	
Disposal of a subsidiary	(1,099)	–			(1,099)
Disposal of an associate	131,200	–			131,200
Capital injection to an associate	(28,121)	–			(28,121)
Dividend received from joint ventures	69,389	(69,389)			–
Dividends received from an associate	1,793	–			1,793
Decrease in time deposits	5,000	–			5,000
Decrease in pledged deposits	12,446	–			12,446
Others	–	(17)			(17)
Proceeds from the Disposal	–	–		8,521,221	8,521,221
Net cash flows used in investing activities	**(1,327,466)**	**225,074**		**8,521,221**	**7,418,829**
Cash flows from financing activities					
Interest paid	(605,108)	286,830	(223,964)		(542,242)
Repayment of bank loans and other borrowings	(2,527,650)	82,751	(37,101)		(2,482,000)
Repayment of notes payable	(1,910,220)	–			(1,910,220)
Principal portion of lease payments	(39,062)	30,096			(8,966)
New bank and other borrowings	5,823,626	–			5,823,626
Proceeds from issue of preference shares	50,756	–			50,756
Decrease of capital from a non-controlling shareholder	(9,000)	–			(9,000)
Dividends paid to a non-controlling shareholder	(35,460)	–			(35,460)
Capital contribution from non-controlling shareholders of subsidiaries	16,953	–			16,953
Net cash flows from financing activities	**764,835**	**399,677**	**(261,065)**		**903,447**

	The Group for the year ended 31 December 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(d)*	*Note 3(c)*	
Net increase/(decrease) in cash and cash equivalents	(1,007,702)	(10,648)	(261,065)	8,521,221	7,241,806
Effect of foreign exchange rate changes, net	(71,605)	10,522			(61,083)
Cash and cash equivalents at beginning of the year	2,762,052	(122,214)			2,639,838
Cash and cash equivalents at end of year	**1,682,745**	**(122,340)**	**(261,065)**	**8,521,221**	**9,820,561**
Analysis of balances of cash and cash equivalents					
Cash and bank balances	1,720,491	(122,340)	(261,065)	8,521,221	9,858,307
Pledged deposits	(37,746)	–			(37,746)
Cash and cash equivalents as stated in the statement of cash flows	1,682,745	(122,340)	(261,065)	8,521,221	9,820,561

Notes to the Unaudited Pro Forma Financial Information

1 The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 as set out in the published annual report of the Company for the year ended 31 December 2021.

2a The adjustment represents the exclusion of carrying amounts of assets and liabilities of the Target Group as at 31 December 2021, assuming the disposal of the Target Group had taken place on 31 December 2021, which are extracted from the unaudited consolidated financial information of the Target Group as set forth in Appendix II to this circular.

The consolidated statement of financial position of the Target Group are translated into RMB at the approximate exchange rate of NZ$1 to RMB4.3147, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

2b The net cash proceed and the estimated impact on total equity of the Disposal assuming the transaction had taken place on 31 December 2021 is calculated as follows:

	Note	*RMB'000*
Cash consideration for share of the Target Company	*(i)*	4,713,780
Cash consideration for the shareholder's loan and interest payable	*(i)*	3,397,948
Estimated expenses directly attributable to the Disposal, assumed to be settled by cash	*(ii)*	(60,981)
Net cash proceed		8,050,747
Less: Net assets of the Target Group as at 31 December 2021		(1,310,531)
Less: Loan and interest payable repayment	*(iii)*	(3,397,948)
Add: Release of exchange reserve and hedge reserve attributable to the Target Group as at 31 December 2021	*(iv)*	(297,120)
Net effect on profit for the year ended 31 December 2021	*(v)*	3,045,148
Net effect on other comprehensive income for the year ended 31 December 2021		297,120
Net effect on total equity as at 31 December 2021		**3,342,268**

	Note	*RMB'000*
Total equity attributable to:		
Owners of the parent	*(vi)*	1,704,557
Non-controlling interests	*(vi)*	1,637,711

(i) The cash consideration for the disposal of Target Group amounted to NZ$1,880,000,000 (approximately RMB8,111,728,000).

Pursuant to the Agreement signed on 31 March 2022 between BCG NZ Investment Holding Limited (the "**Vendor**") and Tui Bidco Limited (the "**Purchaser**") for the Disposal, the expected consideration for 100% shares of the Target Company is NZ$1,092,428,000 (equivalent to approximately RMB4,713,780,000), and the amount of NZ$787,572,000 (equivalent to approximately RMB3,397,948,000) representing existing shareholder loans and relevant interests due by the Target Group to the Vendor as at 31 December 2021 is another part of consideration payable by the Purchaser under the agreement (collectively the "**Consideration**"). The Consideration does not take into account the additional loan which is to be provided by the Vendor to the Target Group between 1 January 2022 and Completion date and the interest accrued.

(ii) The adjustment represents professional expenses directly attributable to the Disposal which would be recognised in the Remaining Group's consolidated statement of profit or loss upon completion of the Disposal. The adjustment is not expected to have a continuing effect on the Group.

(iii) This represents the loans and interests due by the Target Group to the Remaining Group as at 31 December 2021 to be repaid, together with cash consideration for share, as if the Disposal had taken place on 31 December 2021.

(iv) The adjustment represents the exchange reserve and hedge reserve attributable to the Target Group as at 31 December 2021, it would be reclassified into profit or loss once the disposal of Target Group, as a foreign operation, is completed.

(v) It represents the estimated net gain on the Disposal. The actual amount of gain on the Disposal may be different from the amount described above and would be subject to carrying amounts of net assets of the Target Group, accumulated amount of exchange and hedge reserve attributable to the Target Group to be released to profit or loss and loan and interest balance of the Target Group to be repaid on the date of completion of the Disposal, and also the final consideration.

(vi) The Target Company is a wholly-owned subsidiary of the Vendor and the Company holds 51% interests in the Vendor, accordingly the Company holds 51% interests in the Target Group. The amounts represent 51% of net effect of the Disposal attributable to the Company and 49% of net effect of the Disposal attributable to non-controlling interests, respectively.

3a The adjustment represents the exclusion of operating results, reserves and cash flows of the Target Group for the year ended 31 December 2021, assuming the Disposal had taken place on 1 January 2021, which are extracted from the unaudited consolidated financial information of the Target Group as set out in Appendix II to this circular.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group are translated into RMB at the approximate exchange rate of NZ$1 to RMB4.5650, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3b The adjustment represents the reinstatement of intra-group interest income of RMB321,416,000 from the Target Group and income tax expense derived from the interest, which have been eliminated at group level.

3c The estimated net gain on the Disposal assuming the transaction had taken place on 1 January 2021 is calculated as follows:

	Note	*RMB'000*
Cash consideration	*(i)*	8,582,202
Estimated expenses directly attributable to the Disposal, assumed to be settled by cash	*2b*	(60,981)
Less: Net assets of the Target Group as at 1 January 2021	*(ii)*	(1,423,257)
Less: Loan and interest payable repayment	*(iii)*	(3,571,945)
Add: Release of exchange reserve and hedge reserve attributable to the Target Group as at 1 January 2021	*(iv)*	(197,114)
Estimated gain, after tax		**3,328,905**
Net effect on profit for the year ended 31 December 2021		3,328,905
Net effect on other comprehensive income for the year ended 31 December 2021		197,114
Net effect on total comprehensive income for the year ended 31 December 2021		**3,526,019**
Attributable to:		
Owners of the parent	*(v)*	1,798,270
Non-controlling interests	*(v)*	1,727,749

(i) The cash consideration for the Disposal amounted to NZ$1,880,000,000 (approximately RMB8,582,202,000 at the exchange rate of NZ$1 to RMB4.5650).

(ii) The amount is extracted from the unaudited consolidated financial information of the Target Group set out in Appendix II to this circular.

(iii) This represents the loans and interests due by the Target Group to the Remaining Group as at 1 January 2021 to be repaid, together with cash consideration for share, as if the Disposal had taken place on 1 January 2021.

(iv) The adjustment represents the exchange reserve and hedge reserve attributable to the Target Group to be reclassified to profit or loss as if the Disposal had taken place on 1 January 2021.

(v) The amounts represent 51% of net effect of the Disposal attributable to the Company and 49% of net effect of the Disposal attributable to non-controlling interests, respectively.

The actual amount of gain on the Disposal may be different from the amount described above and would be subject to carrying amounts of net assets of the Target Group, accumulated amount of exchange and hedge reserve attributable to the Target Group to be released to profit or loss, loan and interest balance of the Target Group to be repaid on the date of completion of the Disposal, and also the final consideration.

The net cash proceed assuming the Disposal had taken place on 1 January 2021 is calculated as follows:

	RMB'000
Cash consideration	8,582,202
Less: Estimated expenses directly attributable to the Disposal, assumed to be settled by cash	(60,981)
Net cash proceed	**8,521,221**

3d The adjustment represents the reinstatement of intra-group cash flows between the Remaining Group and the Target Group, which have been eliminated at group level.

4 No other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

5 The Consideration is subject to some adjustment upon some conditions, details are disclosed in the Letter from the Board to this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Capital Environment Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Capital Environment Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021, and related notes as set out Appendix III of the circular dated 26 May 2022 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal of the entire issued share capital of Beijing Capital Group NZ Investment Holding Limited (the "**Target Company**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed disposal of the Group's entire equity interest in the Target Company (the "**Disposal Transaction**") on the Group's consolidated financial position as at 31 December 2021 and the Group's consolidated financial performance and cash flows for the year ended 31 December 2021 as if the Disposal Transaction had taken place as at 31 December 2021 and 1 January 2021, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2021, on which an auditor's report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal Transaction on unadjusted financial information of the Group as if the Disposal Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal Transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal Transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

26 May 2022

Upon completion of the Disposal, the Company will no longer hold any interest in the Target Group, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group, and the Remaining Group will continue to focus on strengthening the business segment of waste treatment and waste-to-energy business in the PRC as its core development. The following sets out the management discussions and analysis of the Remaining Group's business and performance for each of the years ended 31 December 2019, 2020 and 2021. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Group for each of the years ended 31 December 2019, 2020 and 2021, respectively.

THE YEAR ENDED 31 DECEMBER 2019

Financial Results

The Remaining Group's revenue from its waste treatment and waste-to-energy business reached RMB3,567,224,000 in 2019. Profit attributable to owners of the Remaining Group in 2019 was RMB210,853,000. The finance costs of the Remaining Group amounted to approximately RMB268,722,000.

Business Review

In respect of results of operation, in 2019, total assets of the Remaining Group reached RMB14,752,424,000; its turnover was RMB3,567,224,000; profit for the year was RMB245,708,000; its net profit attributable to parent company was RMB210,853,000.

In terms of project reserves, the Remaining Group secured a total of 78 projects (including 27 waste-to-energy projects, 9 waste landfill projects, 7 anaerobic digestion technology treatment projects, 19 waste collection, storage and transportation projects, 9 hazardous waste treatment projects, 2 dismantling electronic appliances waste projects and 5 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB20,600 million, of which the amount of RMB6,755 million has been injected before 31 December 2019. In terms of market expansion, the Remaining Group successfully secured 15 waste treatment projects in the mainland with a total investment of approximately RMB4,700 million and the new design can handle 3.42 million tons of domestic waste annually.

In terms of construction project, the Remaining Group continued to accelerate the commencement of contracted projects and strived to maintain its leading quality, controllable progress, safety-orientation, and reduced costs. It had secured 20 projects under construction and 7 projects at the planning stage, keeping its highest record since 2018. Among them, 3 projects were completed and put into operation, 4 projects were completed, 16 projects were steadily under construction.

In terms of operations management, the Remaining Group's operation and trial operation projects reached 35. Among them, there are 4 incineration projects, 6 landfill projects, 15 collection, transportation and cleaning projects, 2 dismantling projects, 5 anaerobic projects, 1 aerobic project and 2 hazardous waste treatment and transportation project. The annual domestic waste disposal capacity was 3.968 million tons, hazardous waste disposal capacity was 8,000 tons and the dismantling amounted to 3,140,000 units, and 7,534,000 square meters of cleaning work was completed. The total amount of on-grid electricity provided was 316,000,000 kilowatt per hours.

Financial Position

As at 31 December 2019, the Remaining Group had total assets amounting to approximately RMB14,752,424,000. As at 31 December 2019, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 74.48%. The current ratio (which is calculated on the basis of current assets over current liabilities) was approximately 1.76 on 31 December 2019.

Financial Resources

The Remaining Group finances its operations primarily with internally generated cash flow, debt financing and loan facilities from banks. As at 31 December 2019, the Remaining Group had cash and bank balances of approximately RMB1,497,491,000. Combined with the Company's operating and investment plans, the current financial resources can meet the Company's operating and investment needs. Currently, most of the Remaining Group's cash is denominated in US$, HK$ and RMB.

In order to meet the financial needs of the Remaining Group's future business development, the Remaining Group would conduct adequate research on the change trends in the global financing markets and capital markets, as well as make comprehensive assessment on the strengths and weaknesses of various financing instruments, so as to utilize several sources of funding to raise low-cost capital to finance the future investments by taking account of its short-term, medium-term and long-term funding needs with an aim to increase the market capital of the Remaining Group and create value for the Shareholders.

Borrowings

As at 31 December 2019, the Remaining Group had outstanding borrowings of approximately RMB7,131,703,000. The borrowings comprised secured loans of approximately RMB2,907,343,000 and unsecured loans of approximately RMB4,224,360,000. The borrowings are denominated in HK$, NZ$ and RMB. Approximately 57% and 43% of the borrowings are at fixed rate and variable rate, respectively.

Material investments

The Remaining Group did not have any material investment or significant investment (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2019) for the year ended 31 December 2019.

Material acquisitions and disposals

The Remaining Group did not have any material acquisitions and disposals for the year ended 31 December 2019.

Foreign Exchange

The majority of the Remaining Group's sales, purchase and operating expenses were denominated in US$, HK$ and RMB. Although the Remaining Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Remaining Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Pledge of Assets

As at 31 December 2019, the guarantees of certain banking facilities of the Remaining Group included certain proceeds under the Remaining Group's service franchise arrangement and prepaid land lease payments and buildings of RMB80,807,000.

Commitment arrangements

As at 31 December 2019, the Remaining Group had commitment of approximately RMB3,674,050,000 and RMB213,158,000 in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2019, the Remaining Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Remaining Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Employees and Emolument Policies

As at 31 December 2019, the Remaining Group had about 2,990 employees in total, stationed mainly in Mainland China and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

Future Plans for Material Investments and Acquisition of Capital Assets

As at 31 December 2019, the Remaining Group had no future plans for any material investments or its capital assets.

THE YEAR ENDED 31 DECEMBER 2020

Financial Results

The Remaining Group's revenue from its waste treatment and waste-to-energy business reached RMB5,387,406,000, representing an increase of approximately 51.03% as compared to RMB3,567,224,000 in 2019. Profit attributable to owners of the Remaining Group in 2020 was RMB406,645,000, representing an increase of approximately 92.86% as compared to RMB210,853,000 in 2019. The finance costs of the Remaining Group saw an increase of approximately 30.36% to approximately RMB350,298,000 as compared to that of 2019.

Business Review and Outlook

In respect of results of operation, in 2020, total assets of the Remaining Group reached RMB20,142,667,000, representing a year-on-year increase of 36.54%; its turnover was RMB5,387,406,000, representing a year-on-year increase of 51.03%; profit for the year was RMB379,297,000, representing a year-on-year increase of 54.37%; its net profit attributable to parent company was RMB406,645,000, representing a year-on-year increase of 92.86%.

In terms of project reserves, the Remaining Group secured a total of 71 projects (including 25 waste-to-energy projects, 7 waste landfill projects, 7 anaerobic digestion technology treatment projects, 18 waste cleaning, collection and transportation and comprehensive treatment projects, 10 hazardous waste treatment projects, 2 dismantling electronic appliances waste projects and 2 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB17,900 million, of which the amount of RMB11,241 million has been injected before 31 December 2020.

In terms of project operations management, the Remaining Group established a coordination mechanism at the project level to optimize the business of its existing projects. Gaining overall development promoted by local development, the Remaining Group achieved business profit growth and improves project operating efficiency. During the year, the Remaining Group's 7 incineration projects in Huizhou, Ruijin, Xihua, Nanyang, Suixian, Xinxiang and Zhengyang have gradually transferred to commercial operation stage, increasing the capacity of waste incineration to 19,100 tons per day. As at 31 December 2020, the Remaining Group's operation and trial operation projects reached 46. Among them, there are 12 incineration projects, 5 landfill projects, 18 waste cleaning, collection and transportation and comprehensive treatment projects, 2 dismantling projects, 6 anaerobic projects and 3 hazardous waste projects. Key tasks were carried out in an orderly manner according to its scientific management plan. The annual domestic waste disposal was 5,192,900 tons, hazardous waste disposal was 8,600 tons, the dismantling amounted to 2,849,200 units, and 7,151,000 square meters of cleaning work was completed. The total amount of on-grid electricity provided was 684,000,000 kWh.

In terms of project investment and construction, the Remaining Group actively adjusted its business portfolio and investment direction, including quality improvement in its existing business, horizontal advancement in its technology-based asset-light business and realization of high-quality development in the asset-heavy business through super dimensional thinking.

Financial Position

As at 31 December 2020, the Remaining Group had total assets amounting to approximately RMB20,142,667,000. As at 31 December 2020, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 71.35%, a decrease of 3.13% from 74.48% at the end of 2019. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.76 as at 31 December 2019 to approximately 1.10 as at 31 December 2020.

Financial Resources

The Remaining Group finances its operations primarily with internally generated cash flow, equity financing, debt financing and loan facilities from banks. As at 31 December 2020, the Remaining Group had cash and bank balances of approximately RMB2,692,435,000, representing an increase of approximately RMB1,194,944,000 as compared to approximately RMB1,497,491,000 at the end of 2019. The Remaining Group's cash and bank balances increased as a result of the issuance of preference shares to its shareholders, BCHK and BCGC, during the year under review. Combined with the Company's operating and investment plans, the prevailing financial resources could meet the Company's operating and investment needs.

In terms of market financing, the Remaining Group continued to expand its diversified financing channels and successfully issued RMB1 billion corporate bonds with a coupon rate of 3.10% during the year, the lowest interest rate for a small public offering with AA+ credit rating since 2007 on the Shanghai Stock Exchange. In addition, the Remaining Group issued cumulative perpetual non-voting and non-convertible overseas preference shares at a par value of HK$100 per share with a total subscription price of HK$1,570,520,000, as well as completed a round of financing in Hong Kong amounting to HK$300 million with a one-year term at a low interest rate of 2.89%, effectively reducing the cost of capital utilization, maintaining a steady gearing ratio and addressing financing needs.

Borrowings

As at 31 December 2020, the Remaining Group had outstanding borrowings of approximately RMB8,576,245,000, representing an increase of approximately RMB1,444,542,000 as compared to approximately RMB7,131,703,000 at the end of 2019. The borrowings comprised secured loans of approximately RMB4,413,440,000 and unsecured loans of approximately RMB4,162,805,000. The borrowings are denominated in HK$, RMB, NZ$ and US$. Approximately 47% and 53% of the borrowings are at fixed rate and variable rate, respectively.

Material investments

The Remaining Group did not have any material investment or significant investment (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2020) for the year ended 31 December 2020.

Material acquisitions and disposals

On 1 September 2020, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司) ("**Capital Investment**"), an indirectly wholly-owned subsidiary of the Company, acquired 65% interest in Wuzhong Capital Solid Environment Technology Limited (吳忠首拓環境科技有限公司) from two third parties at a cash consideration of which RMB14,412,000 was paid in 2020, and the remaining RMB9,412,320 will be paid once the land auction is completed.

Save as the above, the Remaining Group did not have any material acquisitions and disposals for the year ended 31 December 2020.

Foreign Exchange

The majority of the Remaining Group's sales, purchase and operating expenses were denominated in US$, HK$ and RMB. Although the Remaining Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Remaining Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Pledge of Assets

As at 31 December 2020, (i) the guarantees of certain banking facilities of the Remaining Group included certain proceeds under the Remaining Group's service franchise arrangement, bank balances of RMB3,017,000, and leasehold land and buildings of RMB96,176,000, (ii) pledged bank deposits of RMB39,477,000 for service concession arrangements were required by the local governments for securing the progress of certain build-operate-transfer projects; and (iii) bank balance of RMB7,698,000 was pledged in respect of the lawsuit relating to the payment condition for the consideration of the service concession right.

Commitment arrangements

As at 31 December 2020, the Remaining Group had commitment of approximately RMB1,773,273,000, RMB28,121,000 and RMB87,060,000 in respect of the construction work under service concession arrangements, capital contribution in associates and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2020, the Remaining Group provided performance guarantees with a total amount of RMB204,725,000 to the grantors in connection with the construction and operation services provided according to the service concession arrangements. Save as the aforesaid, the Remaining Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Remaining Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Employees and Emolument Policies

As at 31 December 2020, the Remaining Group had about 3,321 employees in total, stationed mainly in Mainland China and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

Future Plans for Material Investments and Acquisition of Capital Assets

As at 31 December 2020, the Remaining Group had no future plans for any material investments or its capital assets.

THE YEAR ENDED 31 DECEMBER 2021

Financial Results

The Remaining Group's revenue from its waste treatment and waste-to-energy business reached RMB5,395,943,000, representing an increase of approximately 0.16% as compared to RMB5,387,406,000 in 2020. Profit attributable to owners of the Remaining Group in 2021 was RMB2,067,513,000, representing an increase of approximately 408.43% as compared to RMB406,645,000 in 2020. The finance costs of the Remaining Group saw an increase of approximately 44.98% to approximately RMB507,851,000 as compared to that of 2020.

Business Review and Outlook

In respect of results of operation, in 2021, total assets of the Remaining Group reached RMB27,239,121,000, representing a year-on-year increase of 35.23%; its turnover was RMB5,395,943,000, representing a year-on-year increase of 0.16%; profit for the year was RMB3,625,623,000, representing a year-on-year increase of 855.88%; its net profit attributable to parent company was RMB2,067,513,000, representing a year-on-year increase of 408.43%.

The Remaining Group had secured a total of 69 asset-heavy projects (including 26 waste-to-energy projects, 7 waste landfill projects, 6 anaerobic digestion treatment projects, 17 waste collection and transportation projects, 9 hazardous waste treatment projects, 2 waste electrical appliances dismantling projects and 2 biomass electricity generation projects) with a total investment of approximately RMB18,790 million, of which RMB15,308 million had been injected as at 31 December 2021. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 14.37 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.20 million units. The said projects have gradually entered the construction and operation period. As at 31 December 2021, there were 64 domestic projects either under construction or in operation. In terms of the asset-light business, the Remaining Group secured a total of 13 projects in the PRC as at 31 December 2021, including 7 environmental sanitation projects and 6 site restoration projects.

In terms of project operations management, the Remaining Group has established a coordination mechanism at the project level to drive profit growth and enhance operating efficiency of its projects. During the year, incineration projects including Ruijin, Zhengyang and Xinxiang projects, and Lushan biomass project officially commenced commercial operation upon being approved. The volume of waste treated at our existing projects further increased, with an additional 1,040 tons per day of waste contracted during the year. The on-grid power generation of our waste-to-energy projects increased by 12% year on year. In respect of subsidy collection and adjustment, subsidy adjustments for Hangzhou kitchen waste treatment project and Lushan waste collection and transportation project were completed. In respect of technical reform, the Group issued the "Management Measures for the Implementation of Technical Reform"《技改工作實施管理辦法》to set out the process of implementing a technical reform, approved or filed 53 applications for technical reforms of projects, and completed the technical reform and optimization of the incineration boiler in Nanchang project during the year.

In terms of project investment and construction, the Remaining Group has developed a mix of asset-light and asset-heavy operations. In respect of the asset-heavy business, the Remaining Group fully explored the demand for collaboration in waste treatment services, actively promoted the investment strategy of regional collaboration and industry collaboration, and ensured the implementation of waste incineration power generation projects. The Remaining Group secured two new projects, namely the PPP project in relation to comprehensive harmless treatment and recycling of solid waste in Zhumadian City, Henan Province and the waste incineration power generation project in Yingde City, Guangdong Province. In respect of the asset-light business, the Remaining Group has been actively developing its environmental sanitation business and site restoration business by optimizing its investment standards, riding on market opportunities and ensuring the implementation of key projects. The environmental sanitation business signed 7 new projects were signed with an annual contracted service fees of approximately RMB127 million in aggregate; and the site restoration business signed 6 new project with an aggregate contract sum of approximately RMB110 million. In addition, the Remaining Group continued to improve its standardized investment management system and strengthen its business expansion capabilities. Specifically, the Remaining Group (i) straightened up and improved its rules and regulations to standardize its investment management; (ii) launched the investment execution information system to effectuate online management of project investment; (iii) optimized its investment estimation model and developed an online self-service estimation system; (iv) promoted investment expansion and review standardization to improve business capabilities; (v) organized training for investment personnel to improve the skills and capabilities of the investment team; (vi) established a project review mechanism to provide guidance on investment management; and (vii) established a post-investment supervision system to consolidate life-cycle management.

Financial Position

As at 31 December 2021, the Remaining Group had total assets amounting to approximately RMB27,239,121,000. As at 31 December 2021, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 59.40%, a decrease of 11.95% from 71.35% at the end of 2020. The current ratio (which is calculated on the basis of current assets over current liabilities) increased from approximately 1.10 as at 31 December 2020 to approximately 2.10 as at 31 December 2021.

Financial Resources

The Remaining Group finances its operations primarily with internally generated cash flow, equity financing, debt financing and loan facilities from banks. As at 31 December 2021, the Remaining Group had cash and bank balances of approximately RMB9,648,898,000, representing an increase of approximately RMB6,956,463,000 as compared to approximately RMB2,692,435,000 at the end of 2020. The Remaining Group's cash and bank balances increased primarily attributable to the proceeds from the Disposal and the issuance of preference shares to its shareholders, BCHK and BCGC, during the year under review. Combined with the Company's operating and investment plans, the prevailing financial resources could meet the Company's operating and investment needs.

In terms of market financing, the Remaining Group actively explored various financing options that are beneficial to the shareholders of the Company, comprehensively considered the short-, medium- and long-term capital needs, and utilized various financing methods to provide sufficient funds for future investments. During the year ended 31 December 2021, the Remaining Group continued to expand its equity financing by increasing its authorised share capital to HK$5,000 million (comprising HK$3,368 million of ordinary shares and HK$1,632 million of preference shares). Meanwhile, the Remaining Group continued to approach various banks and investment institutions, and repaid the principal of and interest on the bonds in the amount of US$300 million during the year ended 31 December 2021. In addition, the Remaining Group completed the refinancing of HK$700 million for various large financing facilities that were about to mature during the year ended 31 December 2021. In 2021, the Remaining Group secured RMB6,254 million of banking facilities in total, of which RMB2,730 million was granted to the Remaining Group's headquarters and RMB3,524 million was granted to various project companies.

Borrowings

As at 31 December 2021, the Remaining Group had outstanding borrowings of approximately RMB11,644,329,000, representing an increase of approximately RMB3,068,084,000 as compared to approximately RMB8,576,245,000 at the end of 2020. The borrowings comprised secured loans of approximately RMB7,775,457,000 and unsecured loans of approximately RMB3,868,872,000. The borrowings are denominated in HK$, RMB, NZ$ and US$. Approximately 27% and 73% of the borrowings are at fixed rate and variable rate, respectively.

Material investments

The Remaining Group did not have any material investment or significant investment (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2021) for the year ended 31 December 2021.

Material acquisitions and disposals

On 22 January 2021, Capital Investment (an indirect wholly-owned subsidiary of the Company) as seller and Guangdong Guangye Investment Group Co., Ltd. (廣東廣業投資集團有限公司) ("**Guangye Purchaser**") as purchaser entered into an asset and equity exchange contract, pursuant to which Capital Investment has conditionally agreed to dispose of, and Guangye Purchaser has conditionally agreed to purchase 46% equity interest in Shenzhen Guangye Environmental Recycling Energy Limited (深圳廣業環保再生能源有限公司) ("**Shenzhen Guangye Environmental**") and the debt of RMB38.3212 million due from Shenzhen Guangye Environmental to Capital Investment, and the interest thereon at a consideration of RMB131,200,000. Please refer to the announcement of the Company dated 22 January 2021 for further details.

On 8 September 2021, Zhejiang ECO-WASTE Technology Co., Ltd. (浙江泰來環保科技有限公司) as vendor ("**Zhumadian Vendor**"), Capital Investment (an indirectly wholly-owned subsidiary of the Company) as purchaser and Zhumadian ECO-WASTE Technology Co., Ltd. (駐馬店泰來環保能源有限公司) as target company ("**Zhumadian ECO-WASTE Technology**") entered into an equity transfer agreement, pursuant to which Capital Investment has conditionally agreed to acquire, and Zhumadian Vendor has conditionally agreed to sell, approximately 85.64% equity interests in Zhumadian ECO-WASTE Technology at the consideration of approximately RMB238.1 million. Please refer to the announcement of the Company dated 8 September 2021 for details.

Save as disclosed above, the Remaining Group did not have any material acquisitions and disposals for the year ended 31 December 2021.

Foreign Exchange

The majority of the Remaining Group's sales, purchase and operating expenses were denominated in US$, HK$ and RMB. Although the Remaining Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Remaining Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Pledge of Assets

As at 31 December 2021, (i) certain banking facilities of the Remaining Group were secured by, *inter alia*, certain proceeds under the Remaining Group's service concession arrangements, bank balances of RMB3,026,000 and leasehold land and buildings of RMB55,121,000, and (ii) pledged bank deposits of RMB34,720,000 for service concession arrangements were required by the local governments for securing the progress of certain build-operate-transfer projects.

Commitment arrangements

As at 31 December 2021, the Remaining Group had commitment of approximately RMB1,070,619,000 and RMB47,412,000 in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2021, the Remaining Group provided performance guarantees of approximately RMB204,605,000 to the government authorities of the PRC in respect of construction progress and continuous operation of the projects in the PRC.

Employees and Emolument Policies

As at 31 December 2021, the Remaining Group had about 3,664 employees in total, stationed mainly in Mainland China and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

Future Plans for Material Investments and Acquisition of Capital Assets

As at 31 December 2021, the Remaining Group had no future plans for any material investments or its capital assets.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive

As at the Latest Practicable Date, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Interests and short positions of substantial shareholders

As at the Latest Practicable Date, so far as it is known to the Directors, the following Shareholders (not being a Director or chief executive of the Company) had interests or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	**Capacity**	**Number of Shares/ underlying Shares held**	**Approximate percentage of shareholding**
Beijing Capital (Hong Kong) Limited[(1)]	Beneficial owner	6,449,026,736 (L)	45.11%
Beijing Capital Eco-Environment Protection Group Co., Ltd. ("**Beijing Capital**")[(1)]	Interest of a controlled corporation	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited[(2)]	Beneficial owner	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd. ("**Beijing Capital Group**")[(1),(2)]	Interest of controlled corporations	9,565,793,808 (L)	66.92%

(L) denotes a long position

Notes:

(1) Beijing Capital (Hong Kong) Limited is a wholly-owned subsidiary of Beijing Capital. Beijing Capital is in turn controlled by Beijing Capital Group. As such, Beijing Capital Group and Beijing Capital are deemed to have interest in the Shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

(2) BCG Chinastar International Investment Limited is the wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is deemed to be interested in the Shares held by BCG Chinastar International Investment Limited for the purposes of the SFO.

Save as disclosed above and so far as the Directors are aware of, as at the Latest Practicable Date, there was no other person who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

The Company has no share option schemes currently in force.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years. Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion (as the case may be) and the references to its name (including its qualification) in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since the date to which the latest published audited consolidated financial statements to which the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the agreement entered into on 1 September 2020 by Capital Investment (an indirectly wholly-owned subsidiary of the Company) in relation to the acquisition of a 65% interest in Wuzhong Capital Solid Environment Technology Limited（吳忠首拓環境科技有限公司）from Liu Jing and Wang Lei at a cash consideration of which RMB14,412,000 was paid in 2020, and the remaining RMB9,412,320 will be paid once the land auction is completed;

(b) the subscription agreement dated 29 September 2020 entered into among the Company, BCHK and BCGC in relation to issuance of the cumulative perpetual non-voting and non-convertible offshore preference shares of par value of HK$100 each at the subscription price of HK$1,631,620,000 in aggregate;

(c) the asset and equity exchange contract dated 22 January 2021 entered into between Capital Investment as seller and Guangye Purchaser as purchaser in relation to the disposal of the 46% equity interest in Shenzhen Guangye Environmental and the debt of RMB38.3212 million due from Shenzhen Guangye Environmental to Capital Investment by Capital Investment at an aggregate consideration of RMB131,200,000;

(d) the equity transfer agreement dated 8 September 2021 entered into among Zhumadian Vendor as vendor, Capital Investment as purchaser and Zhumadian ECO-WASTE Technology as target company in relation to the acquisition of approximately 85.64% of the equity interests in Zhumadian ECO-WASTE Technology at a consideration of RMB238.1 million; and

(e) the Agreement.

9. MISCELLANEOUS

(a) The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The Company's principal place of business is at Unit 1613-1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(c) The share registrar of the Company in the Cayman Islands is Suntera (Cayman) Limited, Suite 3204, Unit 2A, Block 3 Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman KY1-1100, Cayman Islands.

(d) The share registrar of the Company in Hong Kong is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Ms. Wong Bing Ni, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators and holds a master degree in professional accounting.

10. DOCUMENTS ON DISPLAY

The following documents will be available on (i) the website of the Company (www.cehl.com.hk) and (ii) the website of the Stock Exchange (www.hkex.com.hk) during the period of 14 days from the date of this circular:

(a) the Agreement;

(b) the report from Ernst & Young on the unaudited financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(c) the report from Ernst & Young on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular; and

(d) the expert consent letter referred to in the section headed "Qualification and Consent of Expert" in Appendix V.

CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Capital Environment Holdings Limited (the "**Company**") will be held at 6/F, Building 1, Xindadu Hotel, 21 Chegongzhuang Street, Xicheng District, Beijing, China on 14 June 2022, Tuesday at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as an ordinary resolution of the Company.

Capitalised terms used in this notice shall have the same meanings as those defined in the EGM circular of the Company dated 26 May 2022 to the Shareholders unless otherwise specified.

ORDINARY RESOLUTION

"**THAT** the Agreement (a copy of which has been tabled at the meeting marked "A" and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and any one Director be and is hereby authorised to do all such acts and things as such Director in his/her sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Agreement and the transactions contemplated thereunder."

By Order of the Board
Capital Environment Holdings Limited
Cao Guoxian
Chairman

Hong Kong, 26 May 2022

As at the date of this notice, the Board comprises three executive Directors, namely Mr. Cao Guoxian, Mr. Li Fujing and Mr. Li Qingsong; one non-executive Director, namely Ms. Hao Chunmei; and three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.

Notes:

1. A form of proxy for use at the EGM is enclosed with the EGM circular of the Company dated 26 May 2022 to the Shareholders.

2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.

3. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

4. The register of members of the Company will be closed from 9 June 2022, Thursday, to 14 June 2022, Tuesday, both days inclusive, during which period no transfer of shares of the Company will be effected. As such, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 June 2022, Wednesday for the purpose of determining shareholders' eligibility to attend and vote at the EGM.

5. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Tricor Investor Services Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.

6. Completion and return of a proxy form will not preclude a shareholder from attending and voting in person if he/she is subsequently able to be present and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. In view of the ongoing COVID-19 situation, the Company reserves the right to take the following precautionary measures as may be appropriate at the EGM:

   - All attendees will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purposes of contact tracing if required) before entering the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius will not be permitted to attend the EGM.

   - Compulsory wearing of surgical face masks by attendees inside the EGM venue at all times, and to maintain a safe distance between seats.

   - All attendees shall provide proof of negative nucleic acid test results issued within 48 hours, and scan and present the "Beijing Health Kit" (北京健康寶) green code.

   - All attendees MUST wash and sanitize before entry to the EGM and as frequently as possible.

- All attendees shall avoid overcrowding and body contact. Attendees should keep a distance of one meter between each other.

- No refreshments will be served at the EGM.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Members are reminded that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

Subject to the development of the COVID-19 pandemic, the Company may be required to change the meeting arrangements for the EGM at short notice. Shareholders are advised to check the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) for further announcement(s) and update(s) on such arrangements and/or further special measures to be taken.

8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.