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

(Formerly known as NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新環保能源控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

VOLUNTARY ANNOUNCEMENT
ACQUISITION OF SHARES OF THE TARGET COMPANY

This announcement is made by the Company voluntarily.

On 8 August 2014, the Purchaser entered into an equity transfer agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 70% equity interests of the Target Company for a consideration of RMB17.5 million (equivalent to approximately HK\$21.875 million). The consideration of the Acquisition shall be satisfied by cash.

The applicable percentage ratio in respect of the Acquisition does not exceed 5% under Rule 14.07 of the Listing Rules. The Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

This announcement is made by the Company voluntarily.

EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out as follows:

DATE

8 August 2014

PARTIES

- (i) 揚州首拓投資有限公司(Yangzhou Capital Solid Investment Limited*), as the Purchaser; and
- (ii) Lou Yunxian and Wang Tieliang, as the Vendors.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

ASSETS TO BE ACQUIRED

The Vendors have agreed to sell and the Purchaser has agreed to acquire 70% equity interests of the Target Company.

CONSIDERATION FOR THE ACQUISITION

The total consideration for the Acquisition is RMB17.5 million, which was determined after arm's length negotiations between the parties to the Equity Transfer Agreement. Upon completion of the transaction, the Target Company will become a non-wholly owned subsidiary of the Purchaser.

The consideration shall be satisfied by cash in four installments upon signing of the Equity Transfer Agreement, and will be financed by the internal funds of the Purchaser.

COMPLETION

After the payment of the first installment of the consideration within ten days upon signing the Equity Transfer Agreement, the Purchaser and the Vendor commence to jointly handle the registration of change in shareholders. The equity transfer will be completed on the date of completion of change in the registration of shareholders.

INFORMATION OF THE TARGET COMPANY

The Target Company was established on 20 December 2007, with registered capital of RMB25 million. On 30 June 2014, its total assets and net assets were approximately RMB59 million and approximately RMB25 million, respectively.

The Target Company is an environmental company located in Xiaoshan District, Hangzhou City, Zhejiang Province. It is engaged in harmless treatment and reclamation of kitchen waste.

The Target Company plans to enter into a concessionary agreement regarding the Project with the People's Government of Xiaoshan District, Hangzhou City or its authorised departments. The investment in the Project amounts to RMB170 million for a term of 30 years. The annual treatment

capacity of kitchen waste is 70,000 tonnes, and the annual output of biodiesel is 15,810 tonnes. The government subsidy of approximately RMB210 per tonne will be granted for the collection, transportation and treatment of kitchen waste.

Kitchen waste includes residual food and salvaged oil. Two production lines will be constructed for the Project, one of which is used to produce methane from residual food for electricity generation, and the other one of which is used to produce biodiesel from salvaged oil.

The Target Company has acquired land in Linpu Town, Xiaoshan District, Zhejiang City for the construction of kitchen waste treatment plant (including a biodiesel production line), and completed various procedures such as registration, preparation of feasible study report, land planning permit, land acquisition and approval of environmental appraisal. Currently, the primary planning work for the Project is in progress, and operation is expected to be commenced at the end of the year according to the requirements of the local government.

REASONS FOR THE ACQUISITION

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

In order to make full use of the Company's competitive edge on kitchen waste treatment, having considered the focus of national policy on environmental industry and carefully studied regional market environment, the Company is of the opinion that the needs for kitchen waste treatment in the economic zones of Yangtze River Delta Region and Pearl River Delta Region along the southeast coast will experience explosive growth. Therefore, the acquisition of the Target Company will help to expand the Company's market of kitchen waste in Yangtze River Delta Region, so as to generate more return to the Shareholders.

In view of the above, the Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GENERAL

The applicable percentage ratio in respect of the Acquisition does not exceed 5% under Rule 14.07 of the Listing Rules. The Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

The Acquisition is subject to completion. The Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Shares of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of 70% equity interests from the Vendor by Yangzhou Capital Solid according to the terms and conditions of the Equity Transfer;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Capital Environment Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 8 August 2014 entered into between the Purchaser and the Vendors in relation to the acquisition of the Target Company
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement;
“Project”	the project of reclamation of and production of biofuel from kitchen waste in Xiaoshan District, Hangzhou City, Zhejiang province, PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	浙江卓尚環保能源有限公司(Zhejiang Zhuoshang Environmental Energy Company Limited*), a company established under the PRC law;
“Vendors”	Lou Yunxian and Wang Tieliang;
“Yangzhou Capital Solid” or “Purchaser”	揚州首拓投資有限公司(Yangzhou Capital Solid Investment Limited*), a company established under the PRC law, being an indirect wholly-owned subsidiary of the Company; and
“RMB”	Renminbi, the lawful currency of the PRC and the exchange rate between RMB and HK\$ for the purpose of this announcement is RMB1: HK\$1.25.

By order of the Board
Capital Environment Holdings Limited
Yu Changjian
Chairman

Hong Kong, 8 August 2014

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

* *for identification purposes only.*