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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 Cayman Islands with limited liability)

(Stock Code: 03989)

PROPOSED AMENDMENTS OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE BOND

SUPPLEMENTAL DEED RELATING TO THE CONVERTIBLE BOND

The Board announces that on 19 November 2014 (after trading hours), the Company entered into the Supplemental Deed with the Subscriber pursuant to which the Company and the Subscriber agreed to amend certain terms and conditions of the Convertible Bond. Pursuant to the Supplemental Deed, the maturity date of the Convertible Bond will be extended to 31 December 2015 and the denomination of the Convertible Bond will be amended from Hong Kong Dollars to Renminbi, subject to the conditions precedent contained in the Supplemental Deed being satisfied.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Amendment of Terms contemplated by the Supplemental Deed pursuant to Rule 28.05 of the Listing Rules.

As the Subscriber is a substantial Shareholder of the Company, the Subscriber is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the Amendment of Terms as contemplated by the Supplemental Deed constitutes a connected transaction of the Company under the Listing Rules.

As the Amendment of Terms does not fall into any exemption under Rule 14A.73 of the Listing Rules, the Amendment of Terms is subject to the reporting, announcement and shareholders' approval requirements of Chapter 14A of the Listing Rules.

GENERAL

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

The Supplemental Deed and the transactions contemplated thereunder, including the issue and allotment of Conversion Shares, are subject to, inter alia, the approval of the Independent Shareholders at the EGM. A specific mandate for the issue of new Shares will be sought in the EGM to cater for the issue of the Conversion Shares.

A circular containing, amongst other things, (i) further details of the Supplemental Deed and the Amendment of Terms; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Deed and the Amendment of Terms; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 10 December 2014 in accordance with the Listing Rules.

INTRODUCTION

References are made to the announcement dated 6 December 2011, the circular dated 31 December 2011, and the announcements dated 31 August 2012 and 31 December 2012 of the Company in relation to, amongst other things, the Subscription of the Convertible Bond.

The Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company issued the Convertible Bond to the Subscriber in the principal amount of HK\$100 million. The Convertible Bond bears no interest and is convertible into Shares. All outstanding Convertible Bond will mature on 31 December 2014 pursuant to the original terms and conditions of the Convertible Bond.

On 4 November 2014, a portion of the Convertible Bond in the principal amount of HK\$22 million was converted into 75,862,068 Shares. As at the date of this announcement, the Convertible Bond in the principal amount of HK\$78 million is still outstanding.

THE SUPPLEMENTAL DEED RELATING TO THE CONVERTIBLE BOND

On 19 November 2014 (after trading hours), the Company entered into the Supplemental Deed with the Subscriber pursuant to which the Company and the Subscriber agreed to amend certain terms and conditions of the Convertible Bond, where (i) the maturity date of the Convertible Bond will be extended for 12 months and the conversion period will accordingly be extended for 12 months to 31 December 2015; (ii) the denomination of the Convertible Bond will be amended such that the denomination of the Principal Amount, the Conversion Price of the Convertible Bond, the integral multiple of the principal amount for conversion of the Convertible Bond will be converted from Hong Kong Dollars to Renminbi, and the Principal Amount, the Conversion Price, and the integral multiple of the principal amount for conversion of the Convertible Bond will be converted to the equivalent Renminbi amount calculated based on the official mid-exchange rate between Hong Kong Dollars and Renminbi as of the effective date of the Amendment of Terms, as quoted on the China Foreign Exchange Trading System; and (iii) subject to the other terms and conditions of the Convertible Bond,

payment of all sums (whether principal, fees or otherwise) payable under the Convertible Bond shall be made in Renminbi unless otherwise agreed by the Bondholder. The Amendment of Terms is arrived at after arm's length negotiation between the Company and the Subscriber.

Pursuant to the Supplemental Deed, the Amendment of Terms is subject to the satisfaction of the following conditions:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolutions to approve the Supplemental Deed and the Amendment of Terms;
- (b) the Stock Exchange having approved the Amendment of Terms pursuant to the Listing Rules and the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Amendment of Terms having been obtained.

None of the above conditions could be waived by the parties to the Supplemental Deed. The effective date of the Supplemental Deed shall be on the date when all its conditions precedents are fulfilled.

As at the date of this announcement, none of the conditions have been satisfied.

TERMS OF THE CONVERTIBLE BOND

Apart from the Amendment of Terms, all other terms of the Convertible Bond will remain unchanged.

The principal terms of the Convertible Bond as amended pursuant to the Supplemental Deed are summarized as follows:

Principal amount: The equivalent RMB amount to HK\$100 million calculated based on the official mid-exchange rate between Hong Kong Dollars and Renminbi as of the effective date of the Amendment of Terms, as quoted on the China Foreign Exchange Trading System

Maturity date: 31 December 2015

Interest rate: The Convertible Bond shall not bear any interest

- Conversion:** The Bondholder shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Bond (which shall be in the principal amount of the equivalent RMB amount to HK\$1,000,000 calculated based on the official mid-exchange rate between Hong Kong Dollars and Renminbi as of the effective date of the Amendment of Terms, as quoted on the China Foreign Exchange Trading System or its integral multiples) into Shares at any time and from time to time during the Conversion Period, subject to (i) the extent that immediately after such conversion, there will not be sufficient public float of the Shares as required under the Listing Rules; and (ii) that immediately after the conversion, the Bondholder together with parties acting in concert with it, taken together, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer), a mandatory general offer shall be given by the Bondholder and the parties acting in concert with it in accordance with the requirement of the Takeovers Code or, where applicable, waiver from the Shareholders should be obtained by the Bondholder and the parties acting in concert with it in accordance with the Takeovers Code.
- Conversion Price:** The equivalent RMB amount to HK\$0.29 calculated based on the official mid-exchange rate between Hong Kong Dollars and Renminbi as of the effective date of the Amendment of Terms, as quoted on the China Foreign Exchange Trading System, being the conversion price per Conversion Share, subject to adjustment for, among other matters, subdivision, consolidation, capitalization of profits or reserves, capital distribution, rights issue of Share or options over Shares, rights issue of securities other than Shares or options, warrants or other rights to subscribe for or purchase Shares, issue of Shares or grant of options, warrants or other rights to subscribe for or purchase Shares or other issues at a price which is less than 90% of the then market price of the Shares at the time of the announcement of the relevant events.
- Conversion Period:** The period commencing from the date of issue of the Convertible Bond and ending upon the Maturity Date.
- Ranking:** The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the other Shares then in issue as at the date of issue of such Conversion Shares.
- Transferability:** The Convertible Bond is issued in registered form and may be assigned or transferred in whole or in part to any independent third party. The Convertible Bond may not be assigned or transferred to party or parties connected with or acting in concert with any Directors, chief executives or substantial Shareholders of the Company, any of its subsidiaries or any of their respective associates.

- Early redemption: Subject to the events of default in the Subscription Agreement, the Bondholder shall have no right before the Maturity Date to request the Company to redeem the whole or part of the outstanding principal amount of the Convertible Bond. The Convertible Bond is not redeemable by the Company before the Maturity Date of the Convertible Bond.
- Voting rights: The Bondholder shall not be entitled to attend or vote at any general meetings of the Shareholders by reason only of it being the Bondholder.
- Listing application: No application will be made for the listing of, or permission to deal in, the Convertible Bond on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

APPLICATION OF LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made of the listing of, and permission to deal in, the Convertible Bond on the Stock Exchange or any other stock exchange.

REASONS FOR THE PROPOSED AMENDMENT OF TERMS

The Maturity Date Extension allows the Company to refinance the debts under the Convertible Bond under the same terms for a further 12 months. Since the Company is in a rapid development stage, the Board is of the view that the Maturity Date Extension will enable the Company to retain its funds for potential project development. In addition, as the Convertible Bond does not carry interest, it will not incur any interest burden for the Group. Further, although the Convertible Bond is currently in-the-money, the Subscriber cannot convert the whole amount of the Convertible Bond on or before the Original Maturity Date without triggering the mandatory offer obligation under Rule 26 of the Takeovers Code.

In addition, the Board considers that as the functional currency of the Company is Renminbi while the denominated currency of the Convertible Bond is Hong Kong Dollar, under the current accounting standards in Hong Kong, the redemption of the Convertible Bond may give rise to a fair value adjustment in the Company's statement of profit and loss. Accordingly, the Amendment of Denomination will have less of an impact on the financial statements of the Company and is to the benefit of the Company as a whole.

The Amendment of Terms is arrived at after arm's length negotiation between the Company and the Bondholder. The Board (excluding the independent non-executive directors who will form their views after considering the advice of the Independent Financial Adviser) considers that the terms and conditions of the Supplemental Deed are fair and reasonable, and the Amendment of Terms is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the Amendment of Terms will not pose any significant impact on the operations of the Group.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Amendment of Terms contemplated by the Supplemental Deed pursuant to Rule 28.05 of the Listing Rules.

As the Subscriber is a substantial Shareholder of the Company, the Subscriber is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the Amendment of Terms as contemplated by the Supplemental Deed constitutes a connected transaction of the Company under the Listing Rules.

As the Amendment of Terms does not fall into any exemption under Rule 14A.73 of the Listing Rules, the Amendment of Terms is subject to the reporting, announcement and shareholders' approval requirements of Chapter 14A of the Listing Rules. The Subscriber and its associates will abstain from voting in the EGM for approval of the Supplemental Deed, the Amendment of Terms and the transactions contemplated thereunder. As at the date of this announcement, the Subscriber and its associates are interested in 2,342,128,286 Shares, representing approximately 49.50% of the issued share capital of the Company.

GENERAL

The Supplemental Deed and the transactions contemplated thereunder, including the issue and allotment of Conversion Shares, are subject to, inter alia, the approval of Independent Shareholders at the EGM. A specific mandate for the issue of new Shares will be sought in the EGM to cater for the issue of the Conversion Shares.

An Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders and Octal Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Amendment of Terms.

A circular containing, amongst other things, (i) further details of the Supplemental Deed and the Amendment of Terms; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Deed and the Amendment of Terms; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 10 December 2014 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context provides otherwise, the following words and expression shall have the meaning ascribed to them below:

“Amendment of Denomination”	the proposed conversion of the denomination of the Convertible Bonds from Hong Kong Dollars to Renminbi pursuant to the Supplemental Deed
“Amendment of Terms”	the proposed amendment of certain terms and conditions of the Convertible Bonds pursuant to the Supplemental Deed, including the Maturity Date Extension and Amendment of Denomination

“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bond
“Company”	Capital Environment Holdings Limited (stock code: 3989), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Period”	the period commencing from the date of the issue of the Convertible Bond and ending upon the Maturity Date
“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion
“Conversion Shares”	new Share(s) falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond
“Convertible Bond”	the convertible bond in the aggregate principal amount of HK\$100 million issued by the Company in two installments, where the first installment of HK\$50 million was issued on 11 September 2012 and the second installment of HK\$50 million was issued on 31 December 2012
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders and/or the Shareholders (as the case may be) to consider and, if thought fit, approve the Supplemental Deed and Amendment of Terms and transactions contemplated thereunder
“HK\$” or “Hong Kong Dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Supplemental Deed and the transactions contemplated thereunder
“Independent Financial Adviser” or “Octal Capital Limited”	Octal Capital Limited, a corporation licensed under SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporation finance) regulated activities and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Amendment of Terms

“Independent Shareholder(s)”	the Shareholder(s) who are not interested or involved in the Supplemental Deed, the Amendment of Terms and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date Extension”	the proposed extension of the maturity date of the Convertible Bond for 12 months to 31 December 2015 pursuant to the Supplemental Deed
“Original Maturity Date”	31 December 2014
“PRC”	The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Renminbi”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Beijing Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder of the Company
“Subscription”	the subscription of the Convertible Bond pursuant to the terms and conditions set out in the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 6 December 2011 entered into between the Company and the Subscriber in relation to the Subscription and the supplemental agreements entered into from time to time, including the supplemental agreement dated 26 June 2012 and the supplemental deed dated 31 August 2012
“Supplemental Deed”	the supplemental deed dated 19 November 2014 entered into between the Company and the Subscriber in relation to the Amendment of Terms
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“%”	per cent.

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

Hong Kong, 19 November 2014

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