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**CAPITAL ENVIRONMENT HOLDINGS LIMITED**

**首創環境控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 03989)**

**CONNECTED TRANSACTION  
IN RELATION TO PROPOSED ISSUANCE OF  
CUMULATIVE PERPETUAL  
NON-VOTING AND NON-CONVERTIBLE OFFSHORE  
PREFERENCE SHARES PURSUANT TO SPECIFIC MANDATE**

**Financial Adviser to the Company**



**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



## **THE PROPOSED ISSUANCE**

The Board is pleased to announce that on 29 September 2020 (after trading hours), the Company, Beijing Capital (HK) and BCG entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and Beijing Capital (HK) and BCG have conditionally agreed to subscribe for, 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 on the Issue Date. The Offshore Preference Shares will be issued as fully paid-up capital in Hong Kong dollars and considered as equity instruments under the prevailing accounting principles. The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of HK\$2,000,000 (or 20,000 Offshore Preference Shares) and integral multiples of HK\$10,000 (or 100 Offshore Preference Shares) in excess thereof.

The Offshore Preference Shares will be issued pursuant to the Articles of Association. Except as otherwise required by law, the Holder will be treated as its absolute owner for all purposes, and no person will be liable for so treating the Holder.

Upon the Winding-Up of the Company, the rights and claims of the Offshore Preference Shareholders shall rank: (a) junior to holders of (i) all general unsubordinated liabilities of the Company and (ii) all subordinated debt or other obligations issued, entered into or guaranteed by the Company that rank, or are expressed to rank, senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with the holders of Parity Obligations; and (c) in priority to the Ordinary Shareholders. On such Winding-Up of the Company, the Offshore Preference Shareholders shall be entitled to an amount in respect of each Offshore Preference Share which will be equal to the Par Value together with any accrued but unpaid Dividends (including any Arrears of Dividend and any Additional Dividend Amount).

The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Company. The Offshore Preference Shares are not convertible into Ordinary Shares of the Company.

The Company may, in each case as permitted by and in accordance with applicable law, at any time upon giving not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole or in part the Offshore Preference Shares, until all the Offshore Preference Shares have been redeemed. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Par Value plus any accrued but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption (including any Arrears of Dividend and any Additional Dividend Amount).

In respect of the period from and including the Issue Date to but excluding the First Call Date, the Dividend Rate shall be 4% per annum (the “**Initial Dividend Rate**”).

From and including the First Call Date, the Dividend Rate shall be the aggregate of: (i) the Initial Dividend Rate; and (ii) the Step-up Margin.

#### **LISTING RULES IMPLICATIONS**

Beijing Capital (HK) and BCG are the substantial shareholders of the Company, which directly holds 45.11% and 21.80% of the issued share capital of the Company respectively, as at the date of this announcement. Accordingly, Beijing Capital (HK) and BCG are connected persons of the Company under the Listing Rules and the Issuance constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Offshore Preference Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Ms. Hao Chunmei, who holds executive positions at Beijing Capital and Beijing Capital (HK), abstained from voting in the Board meeting in respect of the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder including the Issuance. All remaining six Directors who do not have material interest in the Subscription Agreement and the transactions contemplated thereunder including the Issuance unanimously approved the above resolutions. The Board (excluding Ms. Hao but including the independent non-executive Directors) considers that the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, are in the interests of the Company and the Shareholders as a whole.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all of the Company's independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from the Independent Financial Adviser. Somerley Capital Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Subscription Agreement and the transactions contemplated thereunder including the Issuance.

#### **EGM AND CIRCULAR**

The EGM will be convened as soon as practicable at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve, among others, the Subscription Agreement, the Issuance and the Specific Mandate.

As Beijing Capital (HK) and BCG have material interest in the relevant resolutions to be proposed in the EGM, Beijing Capital (HK), BCG and their associates are required to abstain from voting on the resolutions approving the Subscription Agreement, the Issuance and the Specific Mandate at the EGM. Save for the aforesaid and to the best of the Directors' knowledge, as at the date of this announcement, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate and therefore, no other Shareholder is required to abstain from voting on the proposed resolutions approving the Subscription Agreement, the Issuance and the Specific Mandate at the EGM. Voting at the EGM will be conducted by poll.

A circular containing, among other information: (i) further information on the Subscription Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance and the Specific Mandate; and (iv) a notice of the EGM, is expected to be dispatched to the Shareholders as soon as possible within 15 business days after the publication of this announcement.

**Completion of the Subscription Agreement and the Issuance is subject to the satisfaction or waiver of the conditions precedent therein. In addition, the Subscription Agreement and the Issuance may be terminated in certain circumstances. Accordingly, investors and Shareholders are advised to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

The Company, Beijing Capital (HK) and BCG have entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and Beijing Capital (HK) and BCG have conditionally agreed to subscribe for, the Offshore Preference Shares on the terms of the Subscription Agreement.

The Offshore Preference Shares will be issued pursuant to the Articles of Association. Except as otherwise required by law, the Holder will be treated as its absolute owner for all purposes, and no person will be liable for so treating the Holder.

The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of HK\$2,000,000 (or 20,000 Offshore Preference Shares) and integral multiples of HK\$10,000 (or 100 Offshore Preference Shares) in excess thereof.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

29 September 2020

### **Parties**

- (i) the Company (as issuer);
- (ii) Beijing Capital (HK) (as subscriber); and
- (iii) BCG (as subscriber).

### **Share subscription**

Subject to the fulfilment of the conditions set out below in the section headed “Conditions precedent to the subscription”, the Company has agreed to issue and Beijing Capital (HK) and BCG have agreed to subscribe for the Offshore Preference Shares of par value of HK\$100 each at the subscription price of HK\$1,631,620,000 in aggregate on the Issue Date, on the terms of the Subscription Agreement, with Beijing Capital (HK) agreeing to subscribe for a total par value of HK\$1,100,000,000 of Offshore Preference Shares and BCG agreeing to subscribe for a total par value of HK\$531,620,000 Offshore Preference Shares. The subscription price of HK\$1,631,620,000 shall be paid by Beijing Capital (HK) and BCG respectively by way of cash on the Issue Date.

### **Basis for determining the subscription price and terms and conditions**

The Offshore Preference Shares are issued at Par Value and the terms and conditions are determined with reference to issuances of perpetual capital securities by other companies listed on the Main Board of the Stock Exchange and was negotiated on arm’s length basis between the Company, Beijing Capital (HK) and BCG.

### **Conditions precedent to the subscription**

The obligations of Beijing Capital (HK) and BCG to subscribe and pay for the Offshore Preference Shares are subject to the fulfilment of the following conditions on or prior to the Issue Date:

- (a) the Company having obtained all required approval(s) from the National Development and Reform Commission of the PRC for the purposes of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance;
- (b) the publication and despatch of the circular in relation to the EGM to Shareholders; and

- (c) the Independent Shareholders having passed the relevant resolutions at the EGM approving the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate.

## **PRINCIPAL TERMS OF THE OFFSHORE PREFERENCE SHARES**

Offering	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, among which Beijing Capital (HK) has conditionally agreed to subscribe for a total par value of HK\$1,100,000,000 while BCG has conditionally agreed to subscribe for a total par value of HK\$531,620,000.
Issue Date	22 December 2020 or any other later date as agreed in writing by the Company, Beijing Capital (HK) and BCG.
Maturity Date	The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Company.
No Conversion	The Offshore Preference Shares are not convertible into Ordinary Shares.
Issue Price	The Offshore Preference Shares will have a par value of HK\$100 each and will be issued in its Par Value.
Form and Issuance	The Offshore Preference Shares will be issued as fully paid-up capital in Hong Kong dollars and considered as equity instruments under the prevailing accounting principles. The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of HK\$2,000,000 (or 20,000 Offshore Preference Shares) and integral multiples of HK\$10,000 (or 100 Offshore Preference Shares) in excess thereof.

Status and Rights upon Liquidation	<p>Upon the Winding-Up of the Company, the rights and claims of the Offshore Preference Shareholders shall rank:</p> <ul style="list-style-type: none"> <li>(a) junior to holders of (i) all general unsubordinated liabilities of the Company and (ii) all subordinated debt or other obligations issued, entered into or guaranteed by the Company that rank, or are expressed to rank, senior to the Offshore Preference Shares;</li> <li>(b) equally in all respects with each other and without preference among themselves and with the holders of Parity Obligations; and</li> <li>(c) in priority to the Ordinary Shareholders.</li> </ul>
Dividend Rate	<p>Subject as provided in the Conditions, each Offshore Preference Share shall entitle the Holder to receive Dividends which have not been otherwise cancelled. Each Dividend will be payable, subject as provided in the Conditions, annually in arrear on 22 December in each year (the “<b>Dividend Payment Date</b>”).</p> <p>In respect of the period from and including the Issue Date to but excluding the First Call Date, the Dividend Rate shall be the Initial Dividend Rate of 4% per annum.</p> <p>From and including the First Call Date, the Dividend Rate shall be the aggregate of: (i) the Initial Dividend Rate; and (ii) the Step-up Margin.</p>
Conditions to Distribution of Dividends	<p>Notwithstanding any other provision in the Conditions, the payment of any Dividend (including any Arrears of Dividend and any Additional Dividend Amount) on any Dividend Payment Date is subject to:</p> <ul style="list-style-type: none"> <li>(a) the Board having passed a resolution to declare such Dividend (including any Arrears of Dividend and any Additional Dividend Amount) in accordance with the Articles of Association and the Conditions; and</li> <li>(b) the Company having distributable after-tax profits (as determined in accordance with HKFRS and any applicable law) to pay such Dividend (including any Arrears of Dividend and any Additional Dividend Amount).</li> </ul>

Optional Deferral	<p>The Company may, at its sole discretion, elect to defer (in whole or in part) any Dividend which is otherwise scheduled to be paid on a Dividend Payment Date to the next Dividend Payment Date. The Company is not subject to any limit as to the number of times Dividends and Arrears of Dividends can or shall be deferred, subject to the Conditions.</p>
Restrictions in the case of Deferral of Payment of Dividend	<p>If, on any Dividend Payment Date, payment of Dividends scheduled to be made on such date is not made in full, the Company shall not, and shall procure that none of its subsidiaries will declare, pay or make any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is declared, paid or made on, any Junior Obligations or Parity Obligations (including by way of redemption, cancellation or repurchase of any Junior Obligations or Parity Obligations), unless and until the Company has satisfied in full all outstanding Arrears of Dividends and Additional Distribution Amount, provided that such restrictions shall not apply (i) in relation to Parity Obligations of the Company on a <i>pro rata</i> basis or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Company.</p>
Optional Redemption	<p>The Company may, in each case as permitted by and in accordance with applicable law, at any time upon giving not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole or in part the Offshore Preference Shares, until all the Offshore Preference Shares have been redeemed. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Par Value plus any accrued but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption (including any Arrears of Dividend and any Additional Dividend Amount).</p> <p>In the case of a partial redemption of the Offshore Preference Shares, the Offshore Preference Shares shall be redeemed by the Company (i) on a <i>pro rata</i> basis or (ii) by such other method and in such place as the Company deems fit acting in good faith and after consultation with the Fiscal Agent.</p>

Redemption for  
Taxation Reasons

The Company may, in each case as permitted by and in accordance with applicable law, upon giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole, but not in part the Offshore Preference Shares on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**"), with the redemption price for each Offshore Preference Share being the aggregate of an amount equal to its Par Value plus any accrued but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the Tax Redemption Date (including any Arrears of Dividend and any Additional Dividend Amount), if (i) the Company has or will become obliged to pay Additional Tax Amounts (as defined below) as provided or referred to in the Conditions, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Offshore Preference Shares then due.

Taxation and  
Withholding

All payments of Dividends will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Cayman Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the Cayman Islands, Hong Kong or the PRC, unless such withholding or deduction is required by the law of the Cayman Islands, Hong Kong or the PRC. In that event, the Company shall pay such additional amounts ("**Additional Tax Amounts**") as will result in the receipt by the Offshore Preference Shareholders of such amounts as would have been received by them if no such withholding or deduction had been required, provided, however, that no such Additional Tax Amounts shall be payable in respect of any Offshore Preference Shares in the circumstances specified in the Conditions.

Limited Voting Rights	Pursuant to the Articles of Association, Offshore Preference Shareholders shall not be entitled to convene, attend or vote at any Shareholders' general meeting, other than when the business of the Shareholders' general meeting is to consider any resolution to (i) amend the Articles of Association to modify the rights and privileges attached to the Offshore Preference Shares, or (ii) adversely modify any of the special rights and privileges attached to the Offshore Preference Shares, or (iii) convene proceedings in respect of the Company for reconstruction, consolidation, amalgamation, merger, reorganisation or Winding-up of the Company (each, a " <b>Variation Resolution</b> "), in which case the Offshore Preference Shareholders will be entitled to attend the Shareholders' general meeting and vote only upon such Variation Resolution, and the Offshore Preference Shareholders will be entitled to one vote in respect of each outstanding Offshore Preference Share and vote together with other preference shareholders as a separate class from the Ordinary Shareholders. The Offshore Preference Shares held by, or on behalf of, the Company shall have no voting rights.
Use of Proceeds	The proceeds of the Issuance will be used for investments on potential projects, general working capital and repaying debts.
Listing	The Offshore Preference Shares will not be listed on the Stock Exchange or any other securities exchange. So long as any Offshore Preference Share remains outstanding, it shall not be capable of being listed on the Stock Exchange or any other securities exchange or cleared through any clearing system.
Governing Law	The Offshore Preference Shares and the rights and obligations attached to them are governed by, and shall be construed in accordance with, the laws of the Cayman Islands.

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company and the Group is principally engaged in the provision of waste treatment technologies and services, focusing on technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

## **INFORMATION ON BEIJING CAPITAL (HK) AND BCG**

Beijing Capital (HK) is a company incorporated with limited liability under the laws of Hong Kong which principally engages in investment activities and is a controlling shareholder of the Company, directly holding 6,449,026,736 Ordinary Shares representing approximately 45.11% of the total issued share capital of the Company as at the date of this announcement. Beijing Capital (HK) is wholly-owned by Beijing Capital, a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008). Beijing Capital and its subsidiaries are principally engaged in the investment and management of environmental infrastructure in China with a focus on water projects, solid waste disposal and environment management. Beijing Capital is owned as to approximately 46.06% by Beijing Capital Group as at the date of this announcement.

BCG is a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Beijing Capital Group, directly holding 3,116,767,072 Ordinary Shares representing approximately 21.80% of the total issued share capital of the Company as at the date of this announcement. BCG is principally engaged in investment activities for Beijing Capital Group.

Beijing Capital Group is a state-owned enterprise owned by the People's Government of Beijing Municipality and is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the Beijing Municipality. Beijing Capital Group has four core businesses, namely environmental protection, infrastructure, real estate, and financial services.

## **REASONS FOR THE ISSUANCE AND USE OF PROCEEDS**

The net proceeds from the Issuance after deducting related costs and expenses to be borne by the Company is approximately HK\$1,625.6 million and will be used for investment on potential solid waste projects, general working capital and repaying debts.

The Directors are of the view that the Issuance will support the Company's rapid-growing operations by reducing its asset-liability ratio. The Company has shown improvements in both its financial performance and position over the recent years, and have constructed a large number of domestic solid waste disposal infrastructure in the PRC which have been gradually put into operation. While the Group may benefit from the increased solid waste disposal capacity, substantial capital is required for the Company to develop its waste-to-energy projects. As of 31 December 2019, the Group had total assets of RMB18.635 billion, total liabilities of RMB13.395 billion and a gearing ratio of approximately 71.88%. The net proceeds raised from the Issuance will help ease the Group's high gearing ratio by way of repayment of certain liabilities, and at the same time strengthen the Group's financial resources and facilitate it to carry out additional projects and improve its profitability.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund-raising activity in the past 12 months immediately preceding the date of this announcement.

## EFFECT ON SHAREHOLDING STRUCTURE

The Offshore Preference Shares do not bear any voting rights and are not convertible into Ordinary Shares, hence the Issuance will not affect the holdings of the Ordinary Shareholders. For illustrative purpose only and assuming no further issuance or repurchase of any Ordinary Shares by the Company from the date of this announcement up to the date of the Issuance, the shareholding structure of the Company is set out as follows:

### Ordinary Shares

	Approximate shareholding as at the date of this announcement and immediately after issuance of the Offshore Preference Shares	
	<i>Number of Ordinary Shares</i>	<i>Percentage of the Ordinary Shares</i>
Beijing Capital (HK) <sup>(1)</sup>	6,449,026,736	45.11%
Beijing Capital <sup>(1)</sup>	6,449,026,736	45.11%
BCG <sup>(2)</sup>	3,116,767,072	21.80%
Beijing Capital Group <sup>(1) (2)</sup>	9,565,793,808	66.92%
Public Shareholders	4,728,939,359	33.08%
<b>Total</b>	<b>14,294,733,167</b>	<b>100.00%</b>

#### Notes:

- <sup>(1)</sup> Beijing Capital (HK) 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 (HK) for the purposes of the SFO.
- <sup>(2)</sup> BCG is the wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is deemed to be interested in the shares held by BCG in accordance with the SFO.

## Offshore Preference Shares<sup>(1)</sup>

	<b>Shareholding immediately after issuance of the Offshore Preference Shares</b>	
	<i>Number of Offshore Preference Shares</i>	<i>Percentage of the Offshore Preference Shares</i>
Beijing Capital (HK)	11,000,000	67.42%
BCG	5,316,200	32.58%
<b>Total</b>	<b>16,316,200</b>	<b>100.00%</b>

*Note:*

<sup>(1)</sup> As at the date of this announcement, there is no Offshore Preference Share in issue.

## LISTING RULES IMPLICATIONS

Beijing Capital (HK) and BCG are the substantial shareholders of the Company, holding directly 45.11% and 21.80% of the total issued share capital of the Company respectively, as at the date of this announcement. Accordingly, Beijing Capital (HK) and BCG are connected persons of the Company under the Listing Rules and the Issuance constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Offshore Preference Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Ms. Hao Chunmei, who also holds executive positions at Beijing Capital and Beijing Capital (HK), abstained from voting in the Board meeting in respect of the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder including the Issuance. All remaining six Directors who do not have material interest in the Subscription Agreement and the transactions contemplated thereunder including the Issuance unanimously approved the above resolutions. The Directors (excluding Ms. Hao Chunmei but including the independent non-executive Directors) consider that the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, are in the interests of the Company and the Shareholders as a whole.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all of the Company's independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from the Independent Financial Adviser. Somerley Capital Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Subscription Agreement and the transactions contemplated thereunder including the Issuance.

## **EGM AND CIRCULAR**

The EGM will be convened as soon as practicable at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve, among others, the Subscription Agreement, the Issuance and the Specific Mandate.

As Beijing Capital (HK) and BCG have material interest in the relevant resolutions to be proposed in the EGM, Beijing Capital (HK), BCG and their associates are required to abstain from voting on the resolutions approving the Subscription Agreement, the Issuance and the Specific Mandate at the EGM. Save for the aforesaid and to the best of the Directors' knowledge, as at the date of this announcement, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate and therefore, no other Shareholder is required to abstain from voting on the proposed resolutions approving the Subscription Agreement, the Issuance and the Specific Mandate at the EGM. Voting at the EGM will be conducted by poll.

A circular containing, among other information: (i) further information on the Subscription Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate; and (iv) a notice of the EGM, is expected to be dispatched to the Shareholders as soon as possible within 15 business days after the publication of this announcement.

**Completion of the Subscription Agreement and the Issuance is subject to the satisfaction or waiver of the conditions precedent therein. In addition, the Subscription Agreement and the Issuance may be terminated in certain circumstances. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Additional Dividend Amount”	the amount of Arrears of Dividend that accrues Dividends as if it constituted the face value of the Offshore Preference Shares at the prevailing Dividend Rate and the amount of such distribution
“Arrears of Dividends”	any Dividend deferred pursuant to the Conditions
“Articles of Association”	the articles of association of the Company, as amended from time to time
“BCG”	BCG Chinastar International Investment Limited, a company incorporated under the laws of Hong Kong with limited liability, which directly holds 21.80% of the issued share capital of the Company as at the date of this announcement. BCG is a wholly-owned subsidiary of Beijing Capital Group
“Beijing Capital”	Beijing Capital Co., Ltd. (北京首創股份有限公司), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008)
“Beijing Capital Group”	Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), a state-owned enterprise owned by the People’s Government of Beijing Municipality and under the supervision of the State-owned Assets Supervision and Administration Commission of the Beijing Municipality, which indirectly holds approximately 66.92% of the share capital of the Company as at the date of this announcement
“Beijing Capital (HK)”	Beijing Capital (Hong Kong) Limited, a company incorporated with limited liability under the laws of Hong Kong, which directly holds 45.11% of the issued share capital of the Company as at the date of this announcement. Beijing Capital (HK) is a wholly-owned subsidiary of Beijing Capital Group
“Board”	the board of Directors of the Company

“Company”	Capital Environment Holdings Limited (首創環境控股有限公司)
“Conditions”	terms and conditions of the Offshore Preference Shares set out in the Subscription Agreement
“connected person(s)”	has the same meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dividend(s)”	dividends that each Offshore Preference Shareholder subject to the Conditions shall be entitled to receive which have not otherwise been cancelled, payable annually in arrear
“Dividend Payment Date”	22 December in each year
“Dividend Period”	the period beginning on and including the Issue Date and ending on but excluding the next succeeding Dividend Payment Date and each successive period beginning on and including a Dividend Payment Date and ending on but excluding the next succeeding Dividend Payment Date
“Dividend Rate”	the dividend rate applicable to the Offshore Preference Shares as provided in the Conditions
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate
“First Call Date”	22 December 2023 or any other later date as agreed in writing by the Company, Beijing (HK) Capital and BCG
“Fiscal Agent”	the Company or any other fiscal agent appointed by the Offshore Preference Shareholders from time to time
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as amended from time to time
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee established by the Company comprising all the three independent non-executive Directors to advise the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder, including the Issuance, and the Specific Mandate
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the shareholder(s) of the Company who are not involved in or interested in the Subscription Agreement and the transactions contemplated thereunder, including the Issuance and the Specific Mandate
“Issuance”	the proposed issuance of Offshore Preference Shares of par value of HK\$100 each at the subscription price of HK\$1,631,620,000 in aggregate by the Company, among which Beijing Capital (HK) has conditionally agreed to subscribe for a total par value of HK\$1,100,000,000 while BCG has conditionally agreed to subscribe for a total par value of HK\$531,620,000
“Issue Date”	22 December 2020 or any other later date as agreed in writing by the Company, Beijing (HK) Capital and BCG
“Junior Obligations”	the Ordinary Shares of the Company or any other securities ranking <i>pari passu</i> therewith, and any other obligations issued, entered into or guaranteed by the Company that ranks, or is expressed to rank, junior to the Offshore Preference Shares
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Offshore Preference Shareholder(s)” or “Holder(s)”	holder(s) of the Offshore Preference Shares
“Offshore Preference Share(s)”	the cumulative perpetual non-voting and non-convertible offshore preference share(s) of par value of HK\$100 each at the subscription price of HK\$1,631,620,000 in aggregate to be issued by the Company outside the PRC to investors on or about the Issue Date

“Ordinary Share(s)”	the ordinary share(s) of the Company of par value of HK\$0.10 each in the share capital of the Company, which are listed on the Stock Exchange under the stock code 3989 and traded in Hong Kong dollars and any other ordinary shares or the Company in issue from time to time
“Ordinary Shareholder(s)”	the holder(s) of Ordinary Shares of the Company
“Par Value”	the par value of the Offshore Preference Shares of HK\$100 each which will be issued as fully paid-up capital in Hong Kong dollars
“Parity Obligations”	any other class of preference shares in the capital of the Company from time to time and any other obligations issued, entered into or governed by the Company that rank, or are expressed to rank equally, with the Offshore Preference Shares
“PRC”	the People’s Republic of China, excluding, for purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of any class of shares of the Company from time to time
“Specific Mandate”	a specific mandate to allot and issue the Offshore Preference Shares to be sought from the Independent Shareholders at the EGM
“Step-up Margin”	3% per annum
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement in respect of the Offshore Preference Shares entered into by the Company, Beijing Capital (HK) and BCG on 29 September 2020

“Winding-Up” proceedings in respect of the Company for liquidation, dissolution, insolvency or other similar proceeding in respect of the Company (except for the purposes of a reconstruction, consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by a Variation Resolution of the Offshore Preference Shareholders)

% per cent.

By order of the Board  
**Capital Environment Holdings Limited**  
**Cao Guoxian**  
*Chairman*

Hong Kong, 29 September 2020

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Cao Guoxian, Mr. Li Fujing, Ms. Hao Chunmei and Mr. Xiao Yukun; and three independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.*