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26 May 2022

The Directors  
Capital Environment Holdings Limited

Dear Sirs,

**Capital Environment Holdings Limited (the "Company") and its subsidiaries (the "Group")**

We refer to the circular dated 26 May 2022 (the "Circular") in connection with the proposed disposal of the entire issued share capital of Beijing Capital Group NZ Investment Holding Limited (the "Target Company"), a copy proof of which is attached and initialed by us on its front cover for the purpose of identification.

We hereby consent to the inclusion of accountants' report dated 26 May 2022 on the pro forma financial information for the year ended 31 December 2021 in the Circular, and the references to our name in the form and context in which they are included.

This letter is solely being issued in connection with the issuance of the Circular and not for any other purpose.

Yours faithfully,

Certified Public Accountants  
Hong Kong

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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**(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

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## PRECAUTIONARY MEASURES FOR THE EGM

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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](http://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.

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## DEFINITIONS

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*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

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## DEFINITIONS

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“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 “ <i>Vendor Liability</i> ” 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

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## DEFINITIONS

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“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 “ <i>Vendor Liability</i> ” 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 “ <i>First Adjustment</i> ” 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

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## DEFINITIONS

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“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

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## DEFINITIONS

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“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

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## DEFINITIONS

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“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 “ <i>Second Adjustment</i> ” 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

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## DEFINITIONS

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“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.*

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LETTER FROM THE BOARD

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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)**

*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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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**

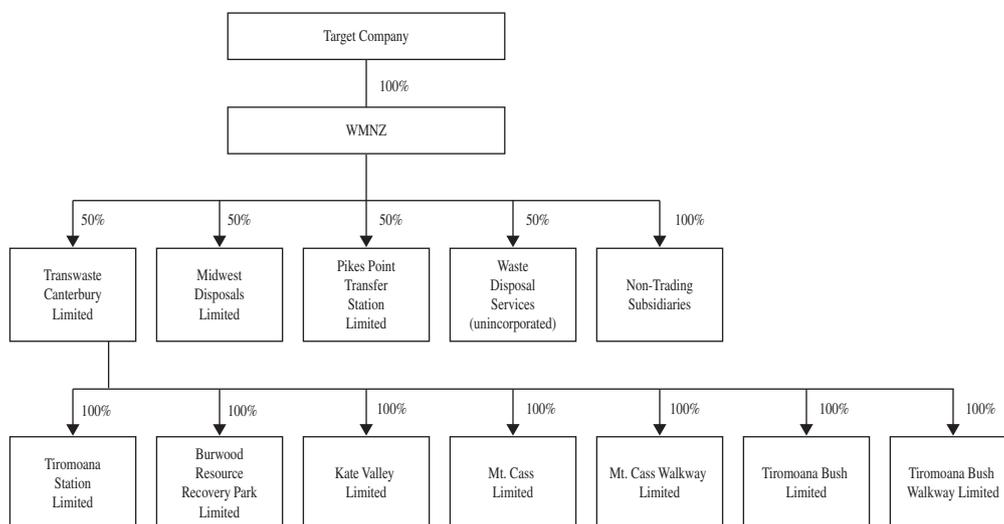
The Target Company is a company incorporated in New Zealand with limited liability. The business scope of the Target Company is resource recovery, recycling, storage and waste disposal services provided through its operating entities. It is a direct wholly-owned subsidiary of the Vendor, which is owned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

## LETTER FROM THE BOARD

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:

	<b>For the years ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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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](http://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

	<i>RMB'000</i>
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.

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## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### 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.

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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TARGET GROUP***For the three years ended 31 December 2019, 2020 and 2021*

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	2,370,870,564	2,259,252,954	2,506,661,258
Cost of sales	<u>(1,617,492,282)</u>	<u>(1,582,672,306)</u>	<u>(1,744,858,685)</u>
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	<u>40,918,828</u>	<u>39,758,321</u>	<u>54,552,934</u>
PROFIT/(LOSS) BEFORE TAX	81,953,618	(18,956,778)	(40,301,771)
Income tax (expense)/credit	<u>(5,037,031)</u>	<u>17,795,052</u>	<u>27,581,127</u>
PROFIT/(LOSS) FOR THE YEAR	<u><u>76,916,587</u></u>	<u><u>(1,161,726)</u></u>	<u><u>(12,720,644)</u></u>
Attributable to:			
Owners of the parent	<u><u>76,916,587</u></u>	<u><u>(1,161,726)</u></u>	<u><u>(12,720,644)</u></u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE TARGET GROUP

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

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
PROFIT/(LOSS) FOR THE YEAR	<u>76,916,587</u>	<u>(1,161,726)</u>	<u>(12,720,644)</u>
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	<u>7,653,622</u>	<u>(1,270,858)</u>	<u>(6,839,641)</u>
	(19,680,282)	3,267,919	15,913,337
Exchange difference:			
Exchange differences on translation of foreign operations	<u>25,558,321</u>	<u>231,816</u>	<u>(115,911,677)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>5,878,039</u>	<u>3,499,735</u>	<u>(99,998,340)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>5,878,039</u>	<u>3,499,735</u>	<u>(99,998,340)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>82,794,626</u>	<u>2,338,009</u>	<u>(112,718,984)</u>
Attributable to:			
Owners of the parent	<u>82,794,626</u>	<u>2,338,009</u>	<u>(112,718,984)</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TARGET GROUP

*31 December 2019, 2020 and 2021*

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
<b>NON-CURRENT ASSETS</b>			
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	<u>43,052,917</u>	<u>42,650,361</u>	<u>52,735,443</u>
 Total non-current assets	 <u>7,022,241,399</u>	 <u>7,144,519,150</u>	 <u>6,564,441,397</u>
<b>CURRENT ASSETS</b>			
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	<u>4,997,445</u>	<u>122,213,940</u>	<u>122,340,034</u>
 Total current assets	 <u>429,794,420</u>	 <u>444,224,745</u>	 <u>428,895,596</u>
<b>CURRENT LIABILITIES</b>			
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	<u>28,476,804</u>	<u>–</u>	<u>–</u>
 Total current liabilities	 <u>709,209,466</u>	 <u>3,656,008,472</u>	 <u>3,318,718,300</u>
 NET CURRENT LIABILITIES	 <u>(279,415,046)</u>	 <u>(3,211,783,727)</u>	 <u>(2,889,822,704)</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES	 <u>6,742,826,353</u>	 <u>3,932,735,423</u>	 <u>3,674,618,693</u>

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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2021</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>NON-CURRENT LIABILITIES</b>			
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	<u>10,172,715</u>	<u>625,993</u>	<u>–</u>
 Total non-current liabilities	 <u>5,321,914,456</u>	 <u>2,509,485,517</u>	 <u>2,364,087,771</u>
 Net assets	 <u>1,420,911,897</u>	 <u>1,423,249,906</u>	 <u>1,310,530,922</u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	1,139,017,695	1,139,017,695	1,139,017,695
Reserves	<u>281,894,202</u>	<u>284,232,211</u>	<u>171,513,227</u>
 Total equity	 <u>1,420,911,897</u>	 <u>1,423,249,906</u>	 <u>1,310,530,922</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### 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)	<u>1,139,017,695</u>	<u>243,703,293*</u>	<u>(19,680,282)*</u>	<u>(180,941,002)*</u>	<u>238,812,193*</u>	<u>1,420,911,897</u>
	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)	<u>1,139,017,695</u>	<u>243,703,293*</u>	<u>(16,412,363)*</u>	<u>(180,709,186)*</u>	<u>237,650,467*</u>	<u>1,423,249,906</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

	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 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)	<u>1,139,017,695</u>	<u>243,703,293*</u>	<u>(499,026)*</u>	<u>(296,620,863)*</u>	<u>224,929,823*</u>	<u>1,310,530,922</u>

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.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### CONSOLIDATED STATEMENT OF CASH FLOWS OF THE TARGET GROUP

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

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax	<u>81,953,618</u>	<u>(18,956,778)</u>	<u>(40,301,771)</u>
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)
	<u>650,352,975</u>	<u>636,480,841</u>	<u>688,084,117</u>
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	<u>(36,895,120)</u>	<u>(43,367,888)</u>	<u>(42,201,754)</u>
Net cash flows from operating activities	<u>523,290,035</u>	<u>676,321,302</u>	<u>635,399,824</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	<u>(257,603,280)</u>	<u>(233,542,242)</u>	<u>(225,075,280)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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	<u>(12,665,675)</u>	<u>(27,189,841)</u>	<u>–</u>
Net cash flows used in financing activities	(263,169,143)	(330,870,812)	(399,676,461)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,517,612	111,908,248	10,648,083
Effect of foreign exchange rate changes, net	2,357,740	4,997,445	122,213,940
	<u>122,093</u>	<u>5,308,247</u>	<u>(10,521,989)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>4,997,445</u></u>	<u><u>122,213,940</u></u>	<u><u>122,340,034</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	<u>4,997,445</u>	<u>122,213,940</u>	<u>122,340,034</u>
Cash and cash equivalents as stated in the statement of cash flows	<u><u>4,997,445</u></u>	<u><u>122,213,940</u></u>	<u><u>122,340,034</u></u>

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## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### 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.

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## **APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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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.

**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

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**

	<b>The Group as at 31 December 2021</b>	<b>Pro forma adjustments</b>		<b>Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2(a)</i>	<i>Note 2(b)</i>	
<b>Non-current assets</b>				
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
<b>Total non-current assets</b>	<b>19,945,501</b>	<b>(6,564,441)</b>	<b>3,705</b>	<b>13,384,765</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	The Group as at 31 December 2021			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2021
	RMB'000 Note 1	Pro forma adjustments		RMB'000
		RMB'000 Note 2(a)	RMB'000 Note 2(b)	
<b>Current assets</b>				
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
<b>Total current assets</b>	<b>6,227,738</b>	<b>(428,895)</b>	<b>8,055,513</b>	<b>13,854,356</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>	<b>7,122,928</b>	<b>(3,318,718)</b>	<b>2,797,652</b>	<b>6,601,862</b>
<b>Net current assets/(liabilities)</b>	<b>(895,190)</b>	<b>2,889,823</b>	<b>5,257,861</b>	<b>7,252,494</b>
<b>Total assets less current liabilities</b>	<b>19,050,311</b>	<b>(3,674,618)</b>	<b>5,261,566</b>	<b>20,637,259</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	The Group as at 31 December 2021 RMB'000 Note 1	Pro forma adjustments RMB'000 Note 2(a)      RMB'000 Note 2(b)		Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2021 RMB'000
<b>Non-current liabilities</b>				
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)		–
<b>Total non-current liabilities</b>	<b>11,333,690</b>	<b>(2,364,087)</b>	<b>608,767</b>	<b>9,578,370</b>
<b>Net assets</b>	<b>7,716,621</b>	<b>(1,310,531)</b>	<b>4,652,799</b>	<b>11,058,889</b>
<b>Equity</b>				
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
	<b>6,210,896</b>		<b>1,704,557</b>	<b>7,915,453</b>
Non-controlling interests	1,505,725		1,637,711	3,143,436
<b>Total equity</b>	<b>7,716,621</b>		<b>3,342,268</b>	<b>11,058,889</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**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				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	Pro forma adjustments		RMB'000	RMB'000
	Note 1	RMB'000	RMB'000	RMB'000	RMB'000
		Note 3(a)	Note 3(b)	Note 3(c)	
<b>Revenue</b>	<b>7,902,604</b>	<b>(2,506,661)</b>			<b>5,395,943</b>
Cost of sales	(5,505,267)	1,744,859			(3,760,408)
<b>Gross profit</b>	<b>2,397,337</b>	<b>(761,802)</b>			<b>1,635,535</b>
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
<b>Profit before tax</b>	<b>860,857</b>	<b>40,302</b>	<b>(321,416)</b>	<b>3,328,905</b>	<b>3,908,648</b>
Income tax expenses	(287,718)	(27,581)	32,274		(283,025)
<b>Profit for the year</b>	<b>573,139</b>	<b>12,721</b>	<b>(289,142)</b>	<b>3,328,905</b>	<b>3,625,623</b>
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
	<b>573,139</b>	<b>12,721</b>	<b>(289,142)</b>	<b>3,328,905</b>	<b>3,625,623</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group for the year ended 31 December 2021</b>				<b>Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2021</b>
	<i>RMB'000</i>	<b>Pro forma adjustments</b>		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	
Profit for the Year	573,139	12,721	(289,142)	3,328,905	3,625,623
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>					
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)
	<b>25,720</b>	<b>(15,913)</b>			<b>9,807</b>
Exchange differences:					
Exchange differences on translation of foreign operations	(34,096)	115,911		197,114	278,929
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>(8,376)</b>	<b>99,998</b>		<b>197,114</b>	<b>288,736</b>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group for the year ended 31 December 2021</b>				<b>Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2021</b>
	<i>RMB'000</i>	<b>Pro forma adjustments</b>		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>					
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)
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<u>(106,931)</u>	<u>–</u>			<u>(106,931)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>(115,307)</u>	<u>99,998</u>		<u>197,114</u>	<u>181,805</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>457,832</u>	<u>112,719</u>	<u>(289,142)</u>	<u>3,526,019</u>	<u>3,807,428</u>
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
	<u>457,832</u>	<u>112,719</u>	<u>(289,142)</u>	<u>3,526,019</u>	<u>3,807,428</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group**

	The Group for the year ended 31 December 2021				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	Pro forma adjustments			RMB'000
	Note 1	Note 3(a)	Note 3(d)	Note 3(c)	
<b>Cash flows from operating activities</b>					
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)
	<b>1,653,382</b>	<b>(688,084)</b>			<b>965,298</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group for the year ended 31 December 2021</b>			<b>Pro forma adjustments</b>		<b>Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(d)</i>	<i>Note 3(c)</i>		
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
	<b>(385,607)</b>	<b>(677,375)</b>				<b>(1,062,982)</b>
Cash used in operations	(385,607)	(677,375)				(1,062,982)
Income tax paid	(59,464)	42,202				(17,262)
Interest received	–	(226)				(226)
<b>Net cash flows used in operating activities</b>	<b>(445,071)</b>	<b>(635,399)</b>				<b>(1,080,470)</b>
<b>Cash flows from investing activities</b>						
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)

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group for the year ended 31 December 2021</b>	<b>Pro forma adjustments</b>			<b>Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021</b>
	<i>RMB'000</i> <i>Note 1</i>	<i>RMB'000</i> <i>Note 3(a)</i>	<i>RMB'000</i> <i>Note 3(d)</i>	<i>RMB'000</i> <i>Note 3(c)</i>	<i>RMB'000</i>
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
<b>Net cash flows used in investing activities</b>	<b><u>(1,327,466)</u></b>	<b><u>225,074</u></b>		<b><u>8,521,221</u></b>	<b><u>7,418,829</u></b>
<b>Cash flows from financing activities</b>					
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
<b>Net cash flows from financing activities</b>	<b><u>764,835</u></b>	<b><u>399,677</u></b>	<b><u>(261,065)</u></b>		<b><u>903,447</u></b>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	The Group for the year ended 31 December 2021				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2021
	RMB'000	Pro forma adjustments			RMB'000
	Note 1	RMB'000 Note 3(a)	RMB'000 Note 3(d)	RMB'000 Note 3(c)	RMB'000
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	<u>2,762,052</u>	<u>(122,214)</u>			<u>2,639,838</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>1,682,745</u></b>	<b><u>(122,340)</u></b>	<b><u>(261,065)</u></b>	<b><u>8,521,221</u></b>	<b><u>9,820,561</u></b>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and bank balances	1,720,491	(122,340)	(261,065)	8,521,221	9,858,307
Pledged deposits	<u>(37,746)</u>	<u>–</u>			<u>(37,746)</u>
Cash and cash equivalents as stated in the statement of cash flows	<u>1,682,745</u>	<u>(122,340)</u>	<u>(261,065)</u>	<u>8,521,221</u>	<u>9,820,561</u>

**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:

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

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**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

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

- (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.

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**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

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

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

(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:

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

- 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 <sup>(1)</sup>	Beneficial owner	6,449,026,736 (L)	45.11%
Beijing Capital Eco-Environment Protection Group Co., Ltd. (“Beijing Capital”) <sup>(1)</sup>	Interest of a controlled corporation	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited <sup>(2)</sup>	Beneficial owner	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd. (“Beijing Capital Group”) <sup>(1),(2)</sup>	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:

<b>Name</b>	<b>Qualification</b>
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](http://www.cehl.com.hk)) and (ii) the website of the Stock Exchange ([www.hkex.com.hk](http://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.

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## NOTICE OF EGM

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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)**

### 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.*

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## NOTICE OF EGM

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*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.

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## NOTICE OF EGM

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- 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](http://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.



# CAPITAL ENVIRONMENT HOLDINGS LIMITED

## 首創環境控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

### PROXY FORM FOR THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON TUESDAY, 14 JUNE 2022 (AND AT ANY ADJOURNMENT THEREOF)

I/We<sup>1</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being the registered holder(s) of \_\_\_\_\_ share(s)<sup>2</sup> of  
HK\$0.10 each in the share capital of Capital Environment Holdings Limited (the “Company”), HEREBY APPOINT THE CHAIRMAN OF  
THE EXTRAORDINARY GENERAL MEETING (the “Meeting”), or<sup>3</sup> \_\_\_\_\_  
of \_\_\_\_\_  
to act as my/our proxy to attend and vote for me/us and on my/our behalf at the Meeting to be held at 6/F, Building 1, Xindadu Hotel, 21  
Chegongzhuang Street, Xicheng District, Beijing, China, Tuesday, 14 June 2022 at 2:30 p.m. (or at any adjournment thereof) for the purpose  
of considering, if thought fit, passing with or without modifications, the proposed resolutions as set out in the notice convening the Meeting  
(the “Notice”) as hereunder indicated, or, if no such indication is given, as my/our proxy thinks fit and on any other resolution properly put to  
the Meeting.

Terms used in this form of proxy shall have the same meanings as defined in the Notice of EGM dated 26 May 2022 unless the context  
requires otherwise.

ORDINARY RESOLUTION <sup>5</sup>		For <sup>4</sup>	Against <sup>4</sup>
1.	To approve the Agreement dated 31 March 2022 entered into between the Vendor and the Purchaser in respect of the Disposal and the transactions contemplated thereunder and authorise any one Director 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.		

Dated \_\_\_\_\_

Shareholder's Signature: \_\_\_\_\_

#### Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. The names of all joint holders should be stated.
2. Please insert the number of shares of HK\$0.10 each in the share capital of the Company registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, delete words “THE CHAIRMAN OF THE EXTRAORDINARY GENERAL MEETING” and insert the name and address of the proxy desired in the space provided.
4. **IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTIONS, TICK THE BOX MARKED “FOR”. IF YOU WISH TO VOTE AGAINST ANY RESOLUTIONS, TICK THE BOX MARKED “AGAINST”.** Failure to tick a box will entitle your proxy to cast your vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting (or any adjournment thereof) other than those referred to in the notice convening the Meeting.
5. The description of the resolutions are by way of summary only. The full text appears in the Notice.
6. To be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.
7. This proxy form must be signed by you or your attorney duly authorised in writing or in the case of a corporation must either be executed under its common seal or under the hand of an officer or attorney or other person duly authorised.
8. Where there are joint holders of a share of the Company, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting in person or by proxy, the one of such joint holders so present whose name stands first on the register of members of the Company in respect of such share shall be accepted to the exclusion of the votes of the other joint holders, and such person alone be entitled to vote in respect of the joint holding thereof.
9. The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
10. Completion and return of this proxy form will not preclude you from attending and voting in person at the Meeting or at any adjournment thereof if you so desire and, in such event, the appointed proxy shall be deemed to have been revoked.
11. ANY ALTERATION MADE TO THIS PROXY FORM MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.



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## 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.

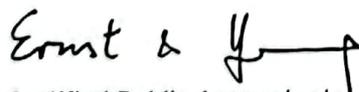
The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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.

  
Certified Public Accountants  
Hong Kong

26 May 2022

Beijing Capital Group NZ Investment Holding Limited

Unaudited Consolidated Financial Information

For the years ended 31 December 2019, 2020 and 2021

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## Report on Review of Financial Information of Beijing Capital Group NZ Investment Holding Limited

To the board of directors of Capital Environment Holdings Limited

### Introduction

We have reviewed the financial information set out on pages 2 to 17, which comprise the consolidated statements of financial position of Beijing Capital Group NZ Investment Holding Limited (the "Target Company") and its subsidiaries (the "Target Group") as of 31 December 2019, 2020 and 2021 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the years ended 31 December 2019, 2020 and 2021 (the "Relevant Periods"), and explanatory notes (collectively referred to as the "consolidated financial information"). The consolidated financial information has been prepared solely for the purpose of inclusion in the circular to be issued by Capital Environment Holdings Limited (the "Issuer") in connection with the disposal of Beijing Capital Group NZ Investment Holding Limited in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The directors of the Issuer are responsible for the preparation and presentation of the consolidated financial information of the Target Group in accordance with the basis of preparation set out in note 2 to the financial information and the Listing Rule 14.68(2)(a)(i). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial information that is free from material misstatement, whether due to fraud or error. The consolidated financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this financial information based on our review. Our responsibility is to express a conclusion on the financial information based on our review.

### Scope of Review

We conducted our review 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 of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the financial information.

  
Certified Public Accountants  
Hong Kong

26 May 2022

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
For the years ended 31 December 2019, 2020 and 2021

	Notes	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
REVENUE	3	2,370,870,564	2,259,252,954	2,506,661,258
Cost of sales		<u>(1,617,492,282)</u>	<u>(1,582,672,306)</u>	<u>(1,744,858,685)</u>
Gross profit		753,378,282	676,580,648	761,802,573
Other income and gains	3	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	5	( 307,063,563)	( 357,141,988)	( 394,066,572)
Share of profits of joint ventures		<u>40,918,828</u>	<u>39,758,321</u>	<u>54,552,934</u>
PROFIT/(LOSS) BEFORE TAX	4	81,953,618	( 18,956,778)	( 40,301,771)
Income tax (expense)/credit	6	<u>( 5,037,031)</u>	<u>17,795,052</u>	<u>27,581,127</u>
PROFIT/(LOSS) FOR THE YEAR		<u><u>76,916,587</u></u>	<u><u>( 1,161,726)</u></u>	<u><u>( 12,720,644)</u></u>
Attributable to:				
Owners of the parent		<u><u>76,916,587</u></u>	<u><u>( 1,161,726)</u></u>	<u><u>( 12,720,644)</u></u>

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2019, 2020 and 2021

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
PROFIT/(LOSS) FOR THE YEAR	<u>76,916,587</u>	<u>(1,161,726)</u>	<u>(12,720,644)</u>
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	<u>7,653,622</u>	<u>( 1,270,858)</u>	<u>( 6,839,641)</u>
	(19,680,282)	3,267,919	15,913,337
Exchange difference:			
Exchange differences on translation of foreign operations	<u>25,558,321</u>	<u>231,816</u>	<u>(115,911,677)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>5,878,039</u>	<u>3,499,735</u>	<u>( 99,998,340)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>5,878,039</u>	<u>3,499,735</u>	<u>( 99,998,340)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>82,794,626</u>	<u>2,338,009</u>	<u>(112,718,984)</u>
Attributable to:			
Owners of the parent	<u>82,794,626</u>	<u>2,338,009</u>	<u>(112,718,984)</u>

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
31 December 2019, 2020 and 2021

	Notes	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	8	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		<u>43,052,917</u>	<u>42,650,361</u>	<u>52,735,443</u>
<b>Total non-current assets</b>		<u><b>7,022,241,399</b></u>	<u><b>7,144,519,150</b></u>	<u><b>6,564,441,397</b></u>
<b>CURRENT ASSETS</b>				
Inventories		11,410,985	12,022,691	19,908,063
Trade receivables	9	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		<u>4,997,445</u>	<u>122,213,940</u>	<u>122,340,034</u>
<b>Total current assets</b>		<u><b>429,794,420</b></u>	<u><b>444,224,745</b></u>	<u><b>428,895,596</b></u>

continued/...

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)  
31 December 2019, 2020 and 2021

	Notes	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
<b>CURRENT LIABILITIES</b>				
Trade payables	10	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	11	199,120,576	140,900,280	86,294,980
Loans from the immediate holding company	12	-	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		<u>28,476,804</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>709,209,466</u>	<u>3,656,008,472</u>	<u>3,318,718,300</u>
NET CURRENT LIABILITIES		<u>( 279,415,046)</u>	<u>(3,211,783,727)</u>	<u>(2,889,822,704)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<u>6,742,826,353</u>	<u>3,932,735,423</u>	<u>3,674,618,693</u>
<b>NON-CURRENT LIABILITIES</b>				
Loans from the immediate holding company	12	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		<u>10,172,715</u>	<u>625,993</u>	<u>-</u>
Total non-current liabilities		<u>5,321,914,456</u>	<u>2,509,485,517</u>	<u>2,364,087,771</u>
Net assets		<u>1,420,911,897</u>	<u>1,423,249,906</u>	<u>1,310,530,922</u>
<b>EQUITY</b>				
Equity attributable to owners of the parent				
Share capital	13	1,139,017,695	1,139,017,695	1,139,017,695
Reserves		<u>281,894,202</u>	<u>284,232,211</u>	<u>171,513,227</u>
Total equity		<u>1,420,911,897</u>	<u>1,423,249,906</u>	<u>1,310,530,922</u>

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the 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	-	-	-	<u>25,558,321</u>	-	<u>25,558,321</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(19,680,282)</u>	<u>25,558,321</u>	<u>76,916,587</u>	<u>82,794,626</u>
At 31 December 2019 (unaudited)	<u>1,139,017,695</u>	<u>243,703,293*</u>	<u>(19,680,282)*</u>	<u>(180,941,002)*</u>	<u>238,812,193*</u>	<u>1,420,911,897</u>
	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	-	-	-	<u>231,816</u>	-	<u>231,816</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>3,267,919</u>	<u>231,816</u>	<u>( 1,161,726)</u>	<u>2,338,009</u>
At 31 December 2020 (unaudited)	<u>1,139,017,695</u>	<u>243,703,293*</u>	<u>(16,412,363)*</u>	<u>(180,709,186)*</u>	<u>237,650,467*</u>	<u>1,423,249,906</u>

continued/...

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)  
For the 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 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)	<u>1,139,017,695</u>	<u>243,703,293*</u>	<u>(499,026)*</u>	<u>(296,620,863)*</u>	<u>224,929,823*</u>	<u>1,310,530,922</u>

*Note:*

\* 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.

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended 31 December 2019, 2020 and 2021

	Notes	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before tax		<u>81,953,618</u>	<u>(18,956,778)</u>	<u>(40,301,771)</u>
Adjustments for:				
Finance costs	5	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	3	(1,237,857)	(189,090)	(225,889)
Gain on disposal of items of property, plant and equipment	3	(169,211)	(825,186)	(3,041,492)
Fair value gains, net:				
Derivative instruments – transactions not qualifying as hedges		(3,672,124)	(454,615)	-
Fair value adjustment of contingent consideration		(4,551,135)	-	-
Depreciation of property, plant and equipment	4	219,277,170	237,812,639	261,286,794
Depreciation of right-of-use assets	4	40,333,515	41,967,505	59,705,089
Amortisation of other intangible assets	4	52,053,047	50,404,027	51,746,167
Impairment of trade receivables	4	221,217	6,320,155	19,418,309
Impairment of property, plant and equipment	4	-	1,076,160	-
Others		-	<u>1,942,357</u>	<u>(16,728)</u>
		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		<u>(85,798)</u>	<u>(980,436)</u>	<u>-</u>
Cash generated from operations		558,935,741	719,500,100	677,375,689
Interest received		1,249,414	189,090	225,889
Taxes paid		<u>(36,895,120)</u>	<u>(43,367,888)</u>	<u>(42,201,754)</u>
Net cash flows from operating activities		<u>523,290,035</u>	<u>676,321,302</u>	<u>635,399,824</u>

continued/...

Beijing Capital Group NZ Investment Holding Limited  
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)  
For the years ended 31 December 2019, 2020 and 2021

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Net cash flows from operating activities	<u>523,290,035</u>	<u>676,321,302</u>	<u>635,399,824</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	<u>-</u>	<u>-</u>	<u>16,728</u>
Net cash flows used in investing activities	<u>(257,603,280)</u>	<u>(233,542,242)</u>	<u>(225,075,280)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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	<u>( 12,665,675)</u>	<u>( 27,189,841)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(263,169,143)</u>	<u>(330,870,812)</u>	<u>(399,676,461)</u>
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	<u>122,093</u>	<u>5,308,247</u>	<u>( 10,521,989)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>4,997,445</u>	<u>122,213,940</u>	<u>122,340,034</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	<u>4,997,445</u>	<u>122,213,940</u>	<u>122,340,034</u>
Cash and cash equivalents as stated in the statement of cash flows	<u>4,997,445</u>	<u>122,213,940</u>	<u>122,340,034</u>

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 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”) has 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”). This financial information is 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 has 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.

### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of the Target Group's revenue, other income and gains for the Relevant Periods is as follows:

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
<u>Revenue from contracts with customers:</u>			
Collections	1,521,144,101	1,501,492,957	1,573,758,672
Landfill	493,745,837	438,403,639	569,806,251
Technical services	107,953,223	74,952,893	107,274,442
Recycling	243,579,958	244,205,017	249,919,955
Others	<u>4,447,445</u>	<u>198,448</u>	<u>5,901,938</u>
	<u>2,370,870,564</u>	<u>2,259,252,954</u>	<u>2,506,661,258</u>

#### Revenue from contracts with customers

##### (i) Performance obligations

Information about the Target Group's performance obligations is summarised below:

##### *Waste collection, landfill and technical services*

The performance obligation is satisfied at the point in time when the promised service is rendered to a customer, and payment in advance for waste collection is normally required and payment for landfill and technical services is generally due within 50 days according to the terms of agreements.

##### *Recycling*

The performance obligation is satisfied at the point in time when the promised good or service is transferred to a customer and payment is generally due within 50 days upon the transfer.

#### Other income and gains:

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Bank interest income	1,237,857	189,090	225,889
Government grant	-	48,557,830	183,718
Gain on disposal of items of property, plant and equipment	169,211	825,186	3,041,492
Gain on foreign exchange	360,582	-	1,145,121
Fair value adjustment of contingent consideration	4,551,135	-	-
Others	<u>190,871</u>	<u>343,788</u>	<u>496,357</u>
	<u>6,509,656</u>	<u>49,915,894</u>	<u>5,092,577</u>

4. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Cost of services provided	1,617,492,282	1,582,672,306	1,744,858,685
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
Lease payments not included in the measurement of lease liabilities*	28,921,022	34,683,317	16,046,371
Auditors' remuneration	2,279,414	2,646,605	2,453,547
Staff costs (excluding directors' remuneration):			
Wages and salaries	219,622,747	223,373,263	210,574,585
Pension scheme contributions	2,792,399	4,544,051	3,908,855
Impairment of financial assets, net:			
Impairment of trade receivables, net	221,217	6,320,155	19,418,309
Impairment of property, plant and equipment	-	1,076,160	-
Foreign exchange differences, net	(360,582)	1,767,548	(1,145,121)
Gain on disposal of items of property, plant and equipment	169,211	825,186	3,041,492
Loss on derivative financial instruments	23,663,890	14,186,137	37,703,722

\* These items for the year are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Interest on bank loans	5,039,421	4,032,372	4,150,992
Interest on other loan	282,657,706	293,685,479	321,416,149
Interest in lease arrangements	13,101,352	55,516,125	66,018,542
Other finance costs: increase in discounted amounts of provisions arising from the passage of time	4,551,044	2,079,644	555,748
Performance bond guarantee costs	<u>1,714,040</u>	<u>1,828,368</u>	<u>1,925,141</u>
	<u>307,063,563</u>	<u>357,141,988</u>	<u>394,066,572</u>

6. INCOME TAX

New Zealand profits tax has been provided at the rate of 28% on the estimated assessable profits arising in New Zealand during the Relevant Periods.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Target Group operates.

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Current – New Zealand			
Charge for the year	23,680,393	22,132,383	7,763,477
Underprovision/(overprovision) in prior years	877,321	1,612,480	( 6,121,666)
Deferred	<u>(19,520,683)</u>	<u>(41,539,915)</u>	<u>(29,222,938)</u>
Total tax charge/(credit) for the year	<u>5,037,031</u>	<u>(17,795,052)</u>	<u>(27,581,127)</u>

7. DIVIDENDS

No dividend was paid or proposed by the Target Company during the Relevant Periods, nor has dividend been proposed by the Target Company since the end of the reporting periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Periods, the Target Group acquired assets with a cost of RMB378,028,432, RMB282,156,485 and RMB294,013,291 for the years ended 31 December 2019, 2020 and 2021, respectively.

Assets with a net book value of RMB3,238,783, RMB4,027,283 and RMB12,152,689 were disposed of by the Target Group for the years ended 31 December 2019, 2020 and 2021, respectively, resulting in net gains on disposal of RMB169,211, RMB825,186 and RMB3,041,492 for the years ended 31 December 2019, 2020 and 2021, respectively.

Except the impairment loss of RMB1,076,160 recognised for certain property, plant and equipment for the year ended 31 December 2020, no impairment loss was recognised during the Relevant Periods.

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of impairment, is as follows:

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Trade receivables	387,708,608	296,574,324	248,866,289
Impairment	(10,553,175)	(9,856,087)	(7,680,331)
	<u>377,155,433</u>	<u>286,718,237</u>	<u>241,185,958</u>
	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Within 30 days	277,538,610	243,586,509	234,340,488
31 to 90 days	46,623,543	14,320,193	6,845,470
Over 90 days	<u>52,993,280</u>	<u>28,811,535</u>	<u>-</u>
	<u>377,155,433</u>	<u>286,718,237</u>	<u>241,185,958</u>

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Within 30 days	110,093,237	115,890,176	87,275,188
31 to 90 days	14,718,007	3,096,411	2,699,687
Over 90 days	<u>315,151</u>	<u>3,316,215</u>	<u>-</u>
	<u>125,126,395</u>	<u>122,302,802</u>	<u>89,974,875</u>

11. INTEREST-BEARING BANK BORROWINGS

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Unsecured bank borrowings	<u>199,120,576</u>	<u>140,900,280</u>	<u>86,294,980</u>

Notes:

- (a) The revolving credit facility NZ\$15,200,000 from ANZ Bank New Zealand Limited bears interest at an annual interest rate around 1.6041% with a repayment date of 5 January 2022.
- (b) The revolving credit facility NZ\$2,200,000 from ANZ Bank New Zealand Limited bears interest at an annual interest rate around 1.6041% with a repayment date of 5 January 2022.
- (c) The revolving credit facility NZ\$2,600,000 from ANZ Bank New Zealand Limited bears interest at an annual interest rate around 1.6041% with a repayment date of 5 January 2022.

12. LOANS FROM THE IMMEDIATE HOLDING COMPANY

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Loans from the immediate holding company	3,523,782,911	3,602,900,499	3,332,929,877
Current portion	<u>-</u>	<u>(2,991,874,248)</u>	<u>(2,727,867,520)</u>
Non-current portion	<u>3,523,782,911</u>	<u>611,026,251</u>	<u>605,062,357</u>

Notes:

- (a) The Target Company has loan facilities of NZ\$700,000,000 from its immediate holding company, BCG NZ Investment Holding Limited ("BCG NZ"), with effective interest rates ranging from 1.71% to 9.45%. As at 31 December 2021, the loans were recognised as current liabilities.
- (b) The Target Company issued capital notes to BCG NZ in June 2014 amounting to NZ\$150,000,000 without a nominal interest rate. The capital notes have been split in to debt and equity components based on the net present value of the expected cash flows. The effective interest rate is 10.52% and the final redemption date is 30 June 2024.

13. SHARE CAPITAL

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Issued and fully paid: 209,987,539 ordinary shares	<u>1,139,017,695</u>	<u>1,139,017,695</u>	<u>1,139,017,695</u>

14. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the financial information were as follows:

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Guarantees given to the government in connection with the continuous operation of landfills	239,182,452	252,277,710	231,890,783
Guarantees given to the government in connection with fulfilling the waste collection contracts and other activities	<u>117,373,868</u>	<u>124,927,082</u>	<u>109,774,593</u>
	<u>356,556,320</u>	<u>377,204,792</u>	<u>341,665,376</u>

15. COMMITMENTS

The Target Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December 2019 RMB (Unaudited)	31 December 2020 RMB (Unaudited)	31 December 2021 RMB (Unaudited)
Contracted, but not provided for Property, plant and equipment	<u>111,852,753</u>	<u>70,005,698</u>	<u>100,316,167</u>

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in this financial information, the Target Group had the following material transactions with related parties during the Relevant Periods:

	Notes	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Sale of goods/rendering of services to joint ventures	(i)	131,524,729	144,067,023	140,657,870
Sale of goods/rendering of services to the other operator of Waste Disposal Services	(i)	5,707,606	4,255,612	4,508,098
Purchase of goods/receiving services from joint ventures	(ii)	90,677,069	90,575,318	89,361,173
Purchase of goods/receiving services from the other operator of Waste Disposal Services	(ii)	14,948,412	16,729,233	20,980,452
Interest expenses	(iii)	282,657,706	293,685,479	321,416,149

Notes:

- (i) The sales to joint ventures and the other operator of Waste Disposal Services (an unincorporated joint operation with Auckland City Council) were made according to the published prices and conditions offered to the major customers of the Target Group.
- (ii) The purchases from joint ventures and the other operator of Waste Disposal Services were made according to the published prices and conditions offered by these joint ventures and the joint operation to their major customers.
- (iii) The interest expenses represent interest due to the loans from BCG NZ as disclosed in note 12. During the Relevant Periods, the interest payables due to BCG NZ were RMB70,594,995, RMB72,075,913 and RMB65,018,080 as at 31 December 2019, 2020 and 2021, respectively.
- (b) Compensation of key management personnel of the Target Group:

	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2021 RMB (Unaudited)
Short term employee benefits	22,907,373	14,770,932	15,666,746
Post-employment benefits	<u>651,727</u>	<u>377,217</u>	<u>272,485</u>
Total compensation paid to key management personnel	<u>23,559,100</u>	<u>15,148,149</u>	<u>15,939,231</u>

17. EVENTS AFTER THE REPORTING PERIODS

Except for the Group's proposed to disposal of the entire issued share capital of the Target Group, the Target Group did not have any significant events subsequent to 31 December 2021.

CONFIDENTIAL

Agreement for the sale and purchase of the  
entire issued share capital of Beijing Capital  
Group NZ Investment Holding Limited

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**PARTIES**

BCG NZ Investment Holding Limited

**Vendor**

Tui Bidco Limited

**Purchaser**

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**AGREEMENT** dated 31 March 2022

## **PARTIES**

**BCG NZ Investment Holding Limited (2070417)**

Registered Office: Suite 3701-10, 37/F., Jardine House, 1 Connaught Place, Central, Hong Kong

("Vendor")

**Tui Bidco Limited (8329887)**

Registered Office: Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland Central, Auckland 1010, New Zealand

("Purchaser")

## **INTRODUCTION**

- A. Beijing Capital Group NZ Investment Holding Limited (Company Number 5102401) having its registered office at 318 East Tamaki Road, East Tamaki, Auckland, 2013, New Zealand (the "**Company**") has 209,987,540 fully paid ordinary shares on issue which comprise all the issued share capital in the Company.
- B. The Vendor, being the legal and beneficial owner of 100% of the Shares, wishes to sell, and the Purchaser wishes to purchase, the Shares for the consideration and on the terms and conditions set out in this Agreement.

## **AGREEMENT**

### **1. INTERPRETATION**

- 1.1 **Definitions:** In this Agreement, unless the context otherwise requires:

"**Actual Net Debt**" means the Net Debt as at the Calculation Time stated in the Completion Statement.

"**Actual Knowledge**" has the meaning in the Warranty Insurance Policy.

"**Actual NWC**" means the NWC as at the Calculation Time stated in the Completion Statement.

"**Adjustment Amount**" has the meaning in clause 8.5(a).

"**Adjustment Date**" means the 5<sup>th</sup> Business Day following the day on which either: (i) the Auditors have delivered an unqualified report to the Vendor and the Purchaser verifying the Completion Statement and no difference or dispute arises under clause 8.2, or (ii) the Expert has settled or determined the Completion Statement under clause 8.2.

**"Affiliate"** means in respect of a person ("**Primary Person**"), a person:

- (a) controlled directly or indirectly by the Primary Person;
- (b) controlling directly or indirectly the Primary Person; or
- (c) directly or indirectly under the common control of the Primary Person and another person or persons,

and, for the avoidance of doubt, and, solely for the purposes of this Agreement:

- (d) a general partner is deemed to control a limited partnership;
- (e) a fund advised or managed, directly or indirectly, by a person will also be deemed to be controlled by such person; and
- (f) a fund will be deemed to be an Affiliate of the Primary Person if the fund is advised or managed, directly or indirectly, by a person controlling directly or indirectly the Primary Person or a person directly or indirectly under the common control of the Primary Person and another person or persons.

**"Agreed Form"** means the form agreed in writing (including by emails) by the Vendor and the Purchaser (or their solicitors) as being the "Agreed Form" prior to the execution of this Agreement by the parties.

**"Agreement"** means this agreement (including all schedules).

**"Auckland Regional Landfill"** means the Auckland Regional Landfill, which is proposed to be located in Wayby Valley, Auckland.

**"Auditors"** means the accounting firm that has been agreed in writing by both the Vendor and Purchaser, who is independent of both parties.

**"Authority"** means any minister, department of state, government authority (including any government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, tribunal, agency or entity in New Zealand or elsewhere, and includes the New Zealand Commerce Commission and the OIO), regional council, territorial authority, Environmental Authority or other statutory authority (including any Tax authority, including the New Zealand Inland Revenue Department) having jurisdiction or authority to perform or exercise functions or powers under or pursuant to any statute.

**"Business"** means the business carried on by the Group Companies as at the date of this Agreement, being the business of providing resource recovery, recycling, collection (refuse, recycling and organic) and waste management services throughout New Zealand.

**"Business Day"** means any day other than a Saturday, Sunday or statutory public holiday in mainland China, the Hong Kong Special Administrative Region, Auckland, New Zealand and Sydney, Australia.

**"Business Licences"** has the meaning in clause 7.1 of Schedule 2.

**"Business Records"** means originals and copies of all books, files, reports, financial and other records, documents, correspondence, information, accounts and data (whether machine readable or in printed form) owned by or relating to a Group Company, the property of a Group Company or the Business and any source material used to prepare them.

**"Calculation Time"** means 11:59pm on the Completion Date.

**"Capex Schedule"** means Schedule 10.

**"Cash"** means all cash held by the Group (whether in hand or credited to any account with any banking, financial, lending or other similar institution or organisation), including all term deposits, other cash deposits and bonds, and all interest accrued thereon, but excluding any Insurance Proceeds received by a Group Company (and which proceeds have not been applied by a Group Company in accordance with clause 6.13(c))

For the avoidance of doubt, this refers to the sum of the General Ledger codes 1003, 1004, 1005, 1006, 1026 and 1036.

**"Cash Advance Facility Agreement"** means the cash advance facility agreement between Waste Management NZ Limited and ANZ Bank New Zealand Limited dated 21 August 2021 in respect of the cash advance facility lent by ANZ Bank New Zealand Limited.

**"Cash Advance Facility Balance"** means the principal, interest, fees, costs and all other amounts owed by the Group to ANZ Bank New Zealand Limited pursuant to the Cash Advance Facility Agreement which is outstanding at Completion, as notified under clause 6.11(b).

**"Claim"** means any claim, demand, legal proceeding or cause of action, including any claim, demand, legal proceeding or cause of action (including any Tax Claim):

- (a) based in contract (including but not limited to claims under the Warranties or the Tax Indemnity (as the case may be));
- (b) based in tort (including misrepresentation or negligence);

- (c) under common law or equity; or
- (d) under statute (including the Fair Trading Act 1986) and any New Zealand fair trading, trade practices or similar legislation,

whether present, unascertained, immediate, future or contingent, which in any way relates to this Agreement (or any part of it) or the Transaction.

**"Commerce Act"** means the Commerce Act 1986.

**"Companies Act"** means the Companies Act 1993.

**"Company"** has the meaning given in clause A of the Introduction.

**"Completion"** means completion of the sale and purchase of the Shares in accordance with clause 7 or, as the context may require, the point in time at which such completion takes place.

**"Completion Date"** means:

- (a) the last Business Day of the month in which the final outstanding Condition is satisfied or waived (if capable of waiver), provided that, if that Condition is satisfied or waived less than 12 Business Days before the end of a month, the Completion Date shall be the last Business Day of the following month; or
- (b) such other date as the Vendor and Purchaser may agree in writing.

**"Completion Statement"** means the statement prepared and agreed or determined pursuant to clause 8 to calculate the Actual NWC and Actual Net Debt at the Calculation Time, the format of which is shown in Schedule 6.

**"Conditions"** means the conditions specified in clause 3.1.

**"Condition End Date"** means 30 December 2022 or such later date as may be agreed in writing between the Vendor and the Purchaser (each acting reasonably).

**"Data Room"** means the data room hosted by Ansarada Pty Ltd and titled "Project Starlight" and made available to the Purchaser and its Representatives from 1 November 2021.

**"Debt"** means:

- (a) all interest and non-interest bearing loans or other financing liabilities or obligations, including overdrafts and any other liabilities in the nature of borrowed money (whether secured or unsecured);
- (b) all reimbursement or payment obligations with respect to letters of credit, bills, bonds, notes, debentures or loan stock and other similar instruments;
- (c) all obligations evidenced by notes, bonds or similar instruments whether convertible or not, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses;
- (d) any obligations in respect of dividends declared but unpaid or other distributions payable;

- (e) 100% of any unpaid Transaction Costs if such costs are not tax deductible, but 72% of all deductible but unpaid Transaction Costs;
- (f) 100% of any unpaid Transaction Bonuses if such bonuses are not tax deductible, but 72% of all deductible but unpaid Transaction Bonuses;
- (g) any amounts owing to the Vendor or any Affiliate of the Vendor not taken into account in the Vendor Debt Balance;
- (h) any amounts owing by the Group to ANZ Bank New Zealand Limited pursuant to the Cash Advance Facility Agreement not taken into account in the Cash Advance Facility Balance;
- (i) the costs incurred, but not paid, in procuring and obtaining the runoff insurance cover in accordance with clause 9.1; and
- (j) any amounts in respect of the items referenced in the 'adjustments' section of Part B of Schedule 6,

together with all interest, fees and penalties accrued thereon prior to the Completion Date, and any prepayment premiums, break costs or penalties payable in order to retire or extinguish any Debt at its redemption value, but excluding (i) trading debt or trading liabilities arising in the ordinary course of business, (ii) any unamortised debt issuance costs, (iii) the Vendor Debt Balance and, (iv) the Cash Advance Facility Balance.

"**Defaulting Party**" has the meaning in clause 7.6.

"**Direction Letter**" has the meaning in clause 7.4(a).

"**Disclosure Letter**" means a letter dated on or prior to the date of this Agreement, together with the attachments to that letter, addressed by the Vendor to the Purchaser and disclosing facts, matters and circumstances that are, or may be, inconsistent with the Warranties.

"**Due Date**" has the meaning in clause 5.4.

"**Due Diligence Material**" means:

- (a) the documents and information Fairly Disclosed in the Data Room as at 1.30pm on 31 March 2022, including the Specified Information;
- (b) all written answers given to written questions submitted by the Purchaser and its Representatives as part of the question and answer process and contained in the Data Room; and
- (c) the Disclosure Letter,

in the case of paragraphs (a) and (b) above, as recorded in one or more USB data sticks or Data Room download links, in the Agreed Form provided by the Vendor to the Purchaser (via its solicitors) on or prior to the date of this Agreement.

"**Encumbrance**" has the meaning in clause 19.12.

"**Enterprise Value**" means \$1,900,000,000 (1.9 billion dollars).

"**Environment**" has the same meaning as defined in section 2 of the RMA.

**Environmental Consents** means all authorisations, registrations, consents, licences and/or permits required for the operation of the Business under Environmental Law.

**"Environmental Law"** means any law and any regulations relating to the Environment including the RMA and the Hazardous Substances and New Organisms Act 1996, each as in effect at the date of this Agreement.

**"Equity Commitment Letter"** means the binding equity commitment letter provided in favour of the Vendor in connection with the equity component of the funding of the Purchaser's obligations in respect of the Transaction, a copy of which was provided to the Vendor on or about the date of this Agreement.

**"Estimated Net Debt"** means the Vendor's good faith estimate of the Actual Net Debt.

**"Estimated NWC"** means the Vendor's good faith estimate of the Actual NWC.

**"Existing Policies"** has the meaning in clause 15.1 of Schedule 2.

**"Expert"** means an independent chartered accountant to be agreed in writing between the Vendor and the Purchaser or, if they cannot agree within five (5) Business Days after the date of dispute is identified pursuant to clause 8.2 then, on application by the Vendor or the Purchaser, by an independent chartered accountant appointed by the President or Vice President for the time being of the Auckland Branch of the New Zealand Law Society, or the nominee of such President or Vice President.

**"Fairly Disclosed"** means disclosure of information on or before the date of this Agreement that is sufficient in content and made in a manner and context which would enable a sophisticated investor (experienced in transactions of the nature of the Transaction, and businesses of the nature of the Business, and familiar with the industry in which the Group Companies operate) to be aware of the substance and significance of (but not necessarily the financial quantum of any loss relating to) the information at the date of this Agreement.

**"Finance Director"** means the Company's Chief Financial Officer, William Ding.

**"Financial Warranty"** has the meaning in clause 12.1(c).

**"Freehold Properties"** means each property owned by a Group Company, as set out in Schedule 4.

**"Forward-Looking Information"** has the meaning in clause 10.19.

**"Group Companies"** means the Company and all its subsidiaries (as that term is defined in section 5 of the Companies Act) together with the Joint Ventures (provided that where the definition of "Group Companies" is used in respect of any obligation of the Vendor under this Agreement in connection with a Joint Venture, such obligation only applies to the extent of the Company's voting, contractual or other rights in, or in respect of, such Joint Ventures), being (as at the date of this Agreement) those entities listed in Schedule 1, and **"Group"** means all of the Group Companies as a whole.

**"GST"** means goods and services tax chargeable, or to which a person may be liable, under the GST Act.

"**GST Act**" means the Goods and Services Tax Act 1985.

"**GST Group**" means a group of companies formed under section 55 of the GST Act.

"**Indebtedness**" means, any financial indebtedness of a Group Company (other than owed to another Group Company), including:

- (a) the aggregate amount owed by the Group Companies under all bank facilities and other external financing; and
- (b) the aggregate amount owed by the Group Companies under any financial arrangements (including any loans, finance leases, hire purchase agreements, overdrafts, and accrued but unpaid interest).

"**Information Memorandum**" means the information memorandum prepared by Citi dated 1 November 2021.

"**Information Technology**" means information technology, hardware, firmware, software, telecommunications, computers, programs, applications and related infrastructure, systems, equipment, and networks.

"**Initial Purchase Price**" has the meaning in clause 4.1.

"**Insurance Proceeds**" has the meaning in clause 6.13.

"**Intellectual Property**" includes the rights to, and any interests in, any patent, design, trademark, copyright, know-how, trade secret, domain name, social media address, brand and any other proprietary right or form of intellectual property (whether protectable by registration or not).

"**Interest**" has the meaning in clause 19.12.

"**Interim Period**" means the period commencing on the date of this Agreement and ending at Completion.

"**Joint Ventures**" means each of Daniels Sharpsmart New Zealand Limited, Pikes Point Transfer Station Limited, Transwaste Canterbury Limited, Midwest Disposals Limited and Waste Disposal Services (unincorporated joint venture with Auckland Council Property Limited).

"**JV External Directors**" means Gareth James and Brent McKenzie.

"**KiwiSaver Act**" means the KiwiSaver Act 2006.

"**Landlord**" means the landlord of each Lease.

"**Last Balance Date**" means 31 December 2020.

"**Last Financial Statements**" means the audited financial statements for the Company and each of its subsidiaries (on a consolidated basis) for the 12 month period ended on the Last Balance Date, as set out in folder 03.05.01 in the Data Room.

"**Law**" includes any statute, regulation, bylaw, scheme, determination, ordinance, rule or other like provision, as amended from time to time, in any jurisdiction.

"**Leases**" means the leases pursuant to which the Leased Properties are leased to a Group Company, and includes any documents evidencing any variation, renewal, extension, review or assignment that is operative as at Completion.

"**Leased Properties**" means each property leased by a Group Company as set out in Schedule 4.

"**Management Accounts**" means the unaudited consolidated management accounts of the Group Companies as disclosed in folders 03.02.05, 03.05.02 and 03.02.10.03 in the Data Room.

"**Matariki SPA**" means the Agreement for Sale and Purchase of Real Estate dated 16 March 2018 between Matariki Forests and the Company (as amended by the variation agreement dated 8 March 2022).

"**Material IP**" has the meaning in clause 16.1 of Schedule 2.

"**Material Leases**" means the Leases set out in Part 2 of Schedule 4.

"**NDA**" means the non-disclosure agreement entered into between First Sentier Investors (Australia) Infrastructure Holdings Limited and Waste Management NZ Limited dated 10 November 2021.

"**Net Debt**" means an amount equal to Debt less Cash (expressed as a positive figure if Debt exceeds Cash, and a negative figure if Cash exceeds Debt).

"**Net Working Capital**" or "**NWC**" means the net total of the general ledger account balances included under the column headed 'Net Working Capital' in Schedule 6.

"**Non-Defaulting Party**" has the meaning in clause 7.6.

"**Non-Operating Companies**" means the Group Companies identified as 'Non-Operating Companies' in Schedule 1.

"**NZ IFRS**" means New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime.

"**OIO**" means the Overseas Investment Office and/or the OIO Minister.

"**OIO Act**" means Overseas Investment Act 2005.

**"OIO Application"** means an application by the Purchaser for consent under the Overseas Investment Laws with respect to the acquisition of 100% of the Shares (together with any other documents to be provided to the OIO with or in connection to that application) for the purposes of satisfying the OIO Condition, in Agreed Form.

**"OIO Condition"** has the meaning in clause 3.1(a).

**"OIO Minister"** means the "Minister" as defined in the OIO Act.

**"Overseas Investment Laws"** means the OIO Act and the Overseas Investment Regulations 2005.

**"Permitted Encumbrance"** means:

- (a) each Security Interest specified in Schedule 7;
- (b) any security registered as permitted in accordance with the Kerbside Collection Agreement between the Company and Christchurch City Council dated 2008, as amended from time to time, in respect of which the Company provides kerbside collection of refuse, recycling and organics;
- (c) every lien or retention of title arrangement securing the unpaid balance of purchase money for property acquired in the ordinary course of business;
- (d) every right of set-off, netting or combination of account arising by operation of law or contract entered into by a Group Company in favour of a bank in the ordinary course of business for the purpose of netting debit and credit balances, provided that the arrangement is not in respect of indebtedness;
- (e) any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by a Group Company for the purpose of:
  - (i) hedging any risk to which any Group Company is exposed in its ordinary course of trading; or
  - (ii) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only;
- (f) every lien arising by operation of law in the ordinary course of business for:
  - (i) rates, taxes, duties or fees of any kind payable to an Authority; or
  - (ii) money payable for work performed by suppliers, mechanics, workmen, repairmen or employees and, in each case, arising in the ordinary course of business,  
  
in each case, securing an obligation in the ordinary course of business and not as a result of negligence by any Group Company and is either not yet due or being contested in good faith by appropriate proceedings;
- (g) any Security Interest in relation to personal property (as defined in the PPSA and to which that Act applies) acquired by the Group Companies in the ordinary course of business that is created or provided for by:

- (i) a transfer of an account receivable or chattel paper;
- (ii) a lease for a term of more than 1 year; or
- (iii) a commercial consignment,

that is not a security interest within the meaning of section 17(1)(a) of the PPSA;

- (h) the interest of the lessor or owner in respect of assets subject to a lease, a hire-purchase agreement or a conditional sale agreement acquired in the ordinary course of the relevant Group Companies' business and not arising as a result of any default or omission by any Group Company; and
- (i) any Security Interest, the total amount of indebtedness secured by which, when aggregated with all other indebtedness secured by Security Interests (including Security Interests permitted by any other paragraph of this definition) created or permitted to arise or subsist by any Group Company does not exceed NZ\$10,000,000.00 (or its equivalent in another currency) at any time.

In this definition, account receivable, chattel paper, lease for a term of more than 1 year and commercial consignment have the meanings given in the PPSA.

**"Personal Information"** has the meaning given to it in the Privacy Act.

**"PPS Register"** means the Personal Property Securities Register established under the PPSA.

**"PPSA"** means the Personal Property Securities Act 1999.

**"Privacy Act"** means the Privacy Act 2020.

**"Properties"** means the Freehold Properties and the Leased Properties.

**"Purchase Price"** has the meaning in clause 4.1.

**"Purchaser Advance"** has the meaning in clause 7.4(a).

**"Purchaser Warranties"** means the warranties and representations set out in Schedule 3.

**"Purchaser's Bank Account"** means the bank account in the name of the Purchaser as notified to the Vendor by the Purchaser in writing from time to time.

**"Reference NWC"** means an amount of \$4.8 million.

**"Reimbursement or Indemnity Payment"** has the meaning in clause 5.7.

**"Related Company"** has the same meaning as in section 2(3) of the Companies Act (read as if the expression "company" in that subsection included any body corporate of any jurisdiction).

**"Relevant Returns"** has the meaning in clause 14.7(a).

**"Relief"** means, with respect to a person:

(a) any relief, loss, allowance, credit, deduction or set-off taken into account in computing any Tax liability or any grant conferred on that person; or

(b) any refund or other right to repayment of Tax available to that person,

whether in New Zealand or elsewhere (and, for the avoidance of doubt, includes any tax loss (as that term is defined in section YA 1 of the Tax Act)).

**"Representative"** means, in relation to a person, the person's directors, officers, employees, consultants and professional advisers, and in relation to:

(a) the Vendor, includes any Affiliate of the Vendor; and

(b) the Purchaser, includes any Affiliate of the Purchaser,

and, in each case, each such entity's directors, officers, employees, consultants and professional advisers.

**"RMA"** means the Resource Management Act 1991.

**"Security Interest"** means:

(a) in respect of any personal property, a security interest (as defined in the PPSA); and

(b) in respect of any other property or any rights in any other property (in each case to which the PPSA does not apply) any interest which, were the PPSA to apply to that property or those rights, would constitute such a security interest (as defined in the PPSA);

**"Senior Management"** means Evan Maehl, William Ding, Michael McSaveney, David Howie, Ian Kennedy, David Perkins, Ingrid Cronin Knight, Guy Smith, Craig Plested, Greg Slaughter and Penelope Bower.

**"Shareholder Approval Condition"** has the meaning in clause 3.1(b).

**"Shares"** means 209,987,540 fully paid ordinary shares in the Company, which are held by the Vendor, representing one hundred percent (100%) of the total fully paid ordinary shares in the Company.

"**Specific Accounting Principles**" means the accounting principles set out in Schedule 6.

"**Specified Information**" has the meaning in clause 4.1 of Schedule 2.

"**Tax**" or "**Taxation**" means:

- (a) all forms of taxation including all statutory or governmental taxes, withholding, levies, dues, imposts, duties, charges, fees, deductions and rates, whether imposed in New Zealand or elsewhere, including income tax, ancillary tax, withholding tax, approved issuer levy, fringe benefit tax, GST, customs or excise duties, gift duty, regional or local taxes, municipal taxes, accident compensation levies, KiwiSaver contributions and any liability to repay COVID-19 support payments, and includes any reassessments of any such taxation;
- (b) loss of Relief; and
- (c) all penalties, interest, fines or the like relating to, or arising in connection with, the imposition, non or late or underpayment of any such taxation or loss of Relief.

"**Tax Act**" means the Income Tax Act 2007.

"**Tax Authority**" means an Authority responsible for the collection of Tax, whether in New Zealand or elsewhere, and in particular (but without limitation) the New Zealand Inland Revenue Department or any overseas government department or body with similar functions or powers.

"**Tax Claim**" means a Claim made by the Purchaser under the Tax Indemnity or in respect of the Tax Warranties, and for the avoidance of doubt, includes any Claim in respect of expenses incurred by the Purchaser or a Group Company in accordance with clause 14.9.

"**Tax Indemnity**" means the indemnity in clause 14.

"**Tax Notice**" means any notice, demand, assessment, deemed assessment, determination, letter or other document issued, or action taken, by or on behalf of any Authority, whereby a Group Company may be, or sought to be, placed under any liability to, or any increased liability to, Tax, and includes a notification of audit.

"**Tax Refund or Reduction**" has the meaning in clause 14.5(a)(ii).

"**Tax Saving**", in respect of a loss, means:

- (a) where the amount of a loss suffered or incurred is wholly or partly deductible for income tax purposes, the amount of deduction to which the relevant person receives multiplied by the relevant Tax rate;

- (b) the amount of any input tax credit for goods and services tax or other deduction from or refund of goods and services tax to which the relevant person receives; and
- (c) any recovery or other benefit received by the relevant person on account of Taxation or for Taxation purposes in respect of the relevant loss,

in any case in any past, current or future Tax period.

**"Tax Warranties"** means the Warranties in clause 6 of Schedule 2.

**"Third Party Claim"** has the meaning in clause 13.1.

**"Tirohia Landfill"** means the Tirohia landfill located in the Hauraki District in the Waikato region.

**"Title and Capacity Warranties"** means the Warranties in clauses 1, 2 and 3.1 to 3.4 (inclusive) of Schedule 2.

**"Transaction"** means the transaction recorded in this Agreement.

**"Transaction Bonuses"** means any bonus, profit share, incentive, retention or similar payments that are payable by any Group Company accrued but are unpaid as at immediately prior to Completion to any current or former employee or contractor of the Group (inclusive of any related on-costs) in connection with the sale and purchase of the Shares under this Agreement or in connection with any alternative transactions or arrangements, in each case as Fairly Disclosed in the Due Diligence Material; for the avoidance of any doubt, exclusive of any contingent or conditional bonus, profit share, incentive, retention or similar payments that are unpaid as at immediately prior to Completion.

**"Transaction Costs"** means any third party costs and expenses (inclusive of GST where applicable) that are payable by any Group Company but are unpaid, as at immediately prior to Completion (including on behalf of the Vendor in connection with the sale and purchase of the Shares under this Agreement).

**"Unrecovered Loss"** has the meaning in clause 11.5.

**"VDD Reports"** means the following reports:

- (a) legal vendor due diligence report prepared by Russell McVeagh dated 3 December 2021;
- (b) commercial vendor due diligence report prepared by L.E.K. Consulting dated 30 October 2021;
- (c) financial vendor due diligence report prepared by Ernst and Young dated 22 December 2021, and trading update report prepared by Ernst and Young dated 24 February 2022;

- (d) tax vendor due diligence report prepared by Ernst and Young dated 10 January 2022; and
- (e) environmental audit vendor due diligence report prepared by Tonkin & Taylor Ltd dated December 2021.

**"Vendor Debt"** means all amounts owing by any Group Company to the Vendor, the principal amount of which being \$775,038,490.37 as at the date of this Agreement, plus all accrued but unpaid interest thereon.

**"Vendor Debt Balance"** means, the principal, interest, fees, costs and all other moneys payable by any Group Company in respect of any Vendor Debt which is outstanding at Completion, as notified under clause 6.11(a).

**"Vendor Information Form"** means the vendor information form to be provided by the Vendor to the OIO in connection with the OIO Application.

**"Vendor's Bank Account"** means the bank account in the name of the Vendor as notified to the Purchaser by the Vendor in writing from time to time.

**"Warranties"** means the warranties set out in Schedule 2.

**"Warranty Insurance"** has the meaning given in clause 11.1.

**"Warranty Insurance Policy"** means the policy(ies) pursuant to which the Warranty Insurance is obtained.

**"Warranty Insurer"** means the insurer(s) of the Warranty Insurance policy.

**"W&I Policy Amount"** means an amount equal to

**"W&I Policy Cost"** means the sum of all premiums, brokerage, Tax, and other charges, costs and expenses of, and payable by, the Purchaser in connection with the procurement by the Purchaser of the Warranty Insurance Policy (excluding the Purchaser's legal fees).

1.2 **Interpretation:** In this Agreement, unless the context otherwise requires or specifically stated otherwise:

- (a) headings are to be ignored in construing this Agreement;
- (b) "including" and similar words do not imply limitation;
- (c) the singular includes the plural and vice versa;
- (d) one gender includes the other genders;
- (e) references to individuals include companies and other corporations and vice versa;
- (f) a reference to a statute or other Law includes regulations, rules, orders and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether before or after the date of this Agreement);
- (g) reference to any document includes reference to that document (and, where applicable, any of its provisions) as amended, novated, supplemented, or replaced from time to time;

- (h) reference to an event includes any action, omission, transaction or any other occurrence or state of affairs;
- (i) reference to a party, person or entity includes:
  - (i) an individual, partnership, firm, company, body corporate, corporation, association, trust, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
  - (ii) reference to a party to this Agreement or another agreement or document referred to in or contemplated by this Agreement and includes the party's successors and permitted assigns (and, where applicable, the party's legal personal representatives);
- (j) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
- (k) references to money, "dollars" and "\$" are to New Zealand dollars unless in each case specifically stated otherwise;
- (l) references to times of day or dates are to New Zealand times and dates unless in each case specifically stated otherwise;
- (m) each schedule or other attachment to this Agreement forms part of this Agreement;
- (n) a right or power may be exercised from time to time and at any time;
- (o) any word or expression cognate with a definition in this Agreement has a meaning corresponding or construed to the definition;
- (p) reference to a clause, sub-clause, schedule or a party is a reference to that clause, sub-clause, schedule or party in this Agreement unless stated otherwise;
- (q) reference to anything of a particular nature following upon a general statement shall not in any way derogate from, or limit the application of, the general statement, unless the particular context requires such derogation or limitation;
- (r) reference to "month" or "monthly" means calendar month or calendar monthly;
- (s) a reference to "control", "controlling" includes where one or more persons, directly or indirectly, whether by the legal or beneficial ownership of shares, securities or other equity, the possession of voting power, by contract, trust, or otherwise:
  - (i) has, or may have, the power to appoint or remove the majority of the members of the governing body of the person concerned;
  - (ii) controls or has the power, or may have the power, to control the affairs or policies of the person concerned; or
  - (iii) is in a position to derive more than 50% of the benefit of the existence or activities of the person concerned;

and "controlled" shall have the meaning correlative thereto.

- (t) a reference to writing includes an email communication and any means of reproducing words in a tangible and permanently visible form; and
- (u) this Agreement shall not be construed against any party by reason of the drafting or preparation hereof.

## 2. SALE AND PURCHASE OF SHARES

- 2.1 **Sale:** The Vendor shall sell the Shares, and the Purchaser shall buy the Shares, on the Completion Date for the consideration and on the terms and conditions set out in this Agreement.
- 2.2 **Rights and Encumbrances:** The Shares will pass to the Purchaser at Completion:
  - (a) together with all rights which attach to the Shares on or after Completion; and
  - (b) free of all Security Interests.
- 2.3 **Title:** Legal and beneficial title to the Shares shall remain with the Vendor until Completion, and pass to the Purchaser on Completion.
- 2.4 **Equity Commitment Letter:** To proceed with the Transaction, each party hereby acknowledges that, prior to or as of the date of this Agreement, the Purchaser has delivered to the Vendor a true and complete copy of the executed Equity Commitment Letters between the Purchaser and the entity named therein, pursuant to which such entity has committed to invest or cause to be invested in the equity capital of the Purchaser the amount set forth therein for the purposes of the payment obligations of the Purchaser under this Agreement.

## 3. CONDITIONS

- 3.1 **Conditions:** Completion is conditional upon the following:
  - (a) **OIO Consent:** consent being given to the Purchaser under the Overseas Investment Laws to the transfer of the Shares to the Purchaser on, subject to clause 3.2(e)(vi), terms and conditions acceptable to the Purchaser (acting reasonably) (the "**OIO Condition**").
  - (b) **Approval of the Transaction:** (i) the approval of the shareholders meeting of Beijing Capital Eco-Environment Protection Group Co., Ltd. (PRC) (600008), which is listed on the Shanghai Stock Exchange, and (ii) the approval of the shareholders meeting of Capital Environment Holdings Limited (Cayman) (HK03989), which is listed on the Hong Kong Stock Exchange being obtained in order for the Vendor to proceed with and complete the Transaction (the "**Shareholder Approval Condition**").
- 3.2 **Endeavours to fulfil:** In order to fulfil the Conditions:
  - (a) the party specified in clause 3.4 as being responsible for obtaining a consent/clearance/approval shall apply for that consent/clearance/approval, and diligently pursue the satisfaction of the Condition;
  - (b) each party shall use reasonable endeavours, and cooperate with the other party, to cause the Conditions to be satisfied as soon as reasonably practicable;

- (c) the Purchaser must keep the Vendor informed as to progress in procuring the satisfaction of the OIO Condition, including providing the Vendor with a copy of the OIO Application and copies of all material filings or other material correspondence with the OIO in connection with the Purchaser's OIO Application or the Transaction (provided that any commercially sensitive information may be provided to the Vendor's counsel on a counsel-only basis);
- (d) the Vendor must keep the Purchaser informed as to progress in procuring the satisfaction of the Shareholder Approval Condition, including providing the Purchaser with copies of any notices of meeting and all material filings and other material correspondence, including with any regulator or shareholders, in connection with the Shareholder Approval Condition or the Transaction (provided that any commercially sensitive information may be provided to the Purchaser's counsel on a counsel-only basis);
- (e) without limiting the foregoing, in relation to the OIO Condition:
  - (i) the Purchaser will submit its application for consent, and the Vendor will submit its Vendor Information Form, to the OIO by no later than the date that is five Business Days after the date of this Agreement and each party will promptly provide to OIO all other notices, information and documents reasonably requested by the OIO for the purpose of fulfilling the Condition;
  - (ii) following submission of its application to the OIO, the Purchaser will diligently progress such application (including by responding to the OIO in a timely manner in compliance with prescribed timeframes, in respect of all its enquiries and other correspondence);
  - (iii) the Purchaser will not resile from, or change, except with the prior written consent of the Vendor, with a consequence that might be adverse to its prospects of satisfying the OIO Condition, any of the assurances or other commitments provided by the Purchaser to the OIO in, or in connection with its application for consent;
  - (iv) the Purchaser will not, other than on termination of this Agreement, withdraw or vary (with a consequence that might be adverse to its prospects of satisfying the OIO Condition), or procure such withdrawal or variation, of any application to the OIO made in connection with satisfying the OIO Condition;
  - (v) the Purchaser will keep the Vendor informed in a timely manner of the status of any material discussions or negotiations with the OIO regarding the OIO Condition, including inviting (with reasonable advance notice) the Vendor (or its advisers) to attend such discussions or negotiations and providing the Vendor with copies of all material correspondence and material submissions (which may be on a counsel-only basis with respect to commercially sensitive information to enable the Vendor's counsel to report to the Vendor generally on progress and prospects for satisfaction of the OIO Condition); and
  - (vi) the Purchaser may not withhold its approval to the terms of any consent granted under the Overseas Investment Laws for the purposes of clause 3.1(a) if the terms or conditions imposed are any of the OIO's standard terms or conditions set out in Schedule 5; and

- (f) each party must:
  - (i) keep the other party informed in a timely manner of the progress regarding the Conditions; and
  - (ii) promptly notify the other party on becoming aware of:
    - (aa) the satisfaction of any Condition, including by promptly delivering to the Vendor or the Purchaser (as applicable) evidence of the approval or consent (as applicable); or
    - (bb) any Condition becoming incapable of being satisfied, or any fact, event or circumstances or matter that could be reasonably expected to prevent a Condition from being satisfied, and the basis (or likely basis) for that being the case.

3.3 **Exception:** Except where consistent with the terms or conditions set out in Schedule 5, or where reasonably required to satisfy the OIO Condition, clause 3.2 does not require a party to pay any money (other than normal fees, costs, and charges (including charges of professional advisers)), incur any material liability, or accept or agree to any condition imposed by any Authority on or in connection with its consent, in order to satisfy the Conditions.

3.4 **Primary responsibility:** The Purchaser shall apply for the consent referred to in the OIO Condition in accordance with clause 3.2, and the Vendor shall be primarily responsible for obtaining the approvals referred to in clause 3.1(b), in each case in accordance with clause 3.2.

3.5 **Waiver:** The

- (a) OIO Condition has been inserted for the protection of the Vendor and the Purchaser and may not be waived; and
- (b) Condition contained in clause 3.1(b) has been inserted for the protection of the Vendor and may only be waived by agreement in writing between the Vendor and the Purchaser where permitted by applicable law.

3.6 **Release of information by the OIO:** Without limiting clause 17, the Purchaser shall use reasonable endeavours, to the extent within its control, to provide the Vendor with a full opportunity to review, comment on and request the withholding or amendment of any information proposed to be released by the OIO to the public (in advance of that information being released to the public), including where such release is proposed to be made:

- (a) in the public decision sheet to be published by the OIO after consent is granted; or
- (b) pursuant to any request made by a third party under the Official Information Act 1982 for release of some, or all of the information relating to the Purchaser's application for consent.

#### 4. PURCHASE PRICE

4.1 **Purchase Price:** The purchase price for the Shares is:

- (a) the Enterprise Value; *less*

(b) the sum of the Vendor Debt Balance and the Cash Advance Facility Balance; *less*

(the "**Initial Purchase Price**", subject to adjustment under clauses (e) and/or (f));

(e) *plus* any adjustments that increase the Initial Purchase Price under clauses 6.11(e)(i) and/or 6.11(e)(iii);

(f) *less* any adjustments that decrease the Initial Purchase Price under clauses 6.11(e)(ii) and/or 6.11(e)(iii);

(g) *plus* any amounts payable by the Purchaser to the Vendor under clauses 8.5(a)(i) and/or 8.5(a)(iii); and

(h) *less* any amounts payable by the Vendor to the Purchaser under clauses 8.5(a)(ii) and/or 8.5(a)(iv),

and as further adjusted in accordance with this Agreement (the "**Purchase Price**").

4.2 **Lowest Purchase Price:** The parties agree that, for the purposes of the financial arrangements rules in the Tax Act:

(a) the Purchase Price is the lowest price that they would have agreed upon, with respect to the Shares at the time this Agreement was executed, on the basis of payment in full at the time at which the first right in the Shares is to be transferred;

(b) the Purchase Price is the value of the Shares; and

(c) they will compute their taxable income for the relevant period on the basis that the Purchase Price includes no capitalised interest, and will file their tax returns accordingly.

For the purposes of this clause the term "right" in the Shares shall bear the same meaning as the term "right" in section YA 1 of the Tax Act.

## 5. PAYMENT OF PURCHASE PRICE AND PURCHASER ADVANCE

5.1 **Payment of Purchase Price and Purchaser Advance:** The Purchaser shall satisfy its obligation to pay the Purchase Price and Purchaser Advance as follows:

(a) by payment of an amount to the Vendor at Completion equal to:

(i) the Initial Purchase Price; *less*

- (c) by payment (or by procuring the payment) of a portion of the Purchaser Advance equal to the amount of the Vendor Debt Balance to the Vendor on behalf of the Company in satisfaction of the Vendor Debt in accordance with clause 7.4(a) and the Direction Letter;
  - (d) by payment (or by procuring the payment) of a portion of the Purchaser Advance equal to the Cash Advance Facility Balance to ANZ Bank New Zealand Limited on behalf of the Company at its nominated account (as set out in the Cash Advance Facility Agreement or otherwise notified to the Company in writing) in order to settle in full the Cash Advance Facility Balance in accordance with clause 7.4(a) and the Direction Letter; and
  - (e) by payment of the Adjustment Amount on the Adjustment Date (if applicable).
- 5.2 **Payment to Vendor's Bank Account:** Payment of any amount payable to the Vendor to the Vendor's Bank Account in accordance with clause 5.5 shall be considered as satisfying the Purchaser's obligation to pay that amount to the Vendor in accordance with this Agreement.
- 5.3 **Payment to Purchaser's Bank Account:** Payment of any amount payable to the Purchaser to the Purchaser's Bank Account in accordance with clause 5.5 shall be considered as satisfying the Vendor's obligation to pay that amount to the Purchaser in accordance with this Agreement.
- 5.4 **Default interest:** If a party does not pay any amount payable under this Agreement on the due date for payment ("**Due Date**") that party shall pay to the other party interest (both before and after judgment) on that amount. That interest:
- (a) shall be paid at 8% per annum;
  - (b) accrues and shall be calculated on a daily basis from and including the Due Date until the unpaid amount is paid in full before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the amount becomes merged; and
  - (c) is payable from day to day.
- The right of the other party to require payment of interest under this clause does not limit any other right or remedy of the other party.
- 5.5 **Payments:** Each party shall pay all amounts payable under this Agreement in New Zealand dollars and in immediately available funds:
- (a) free of any restriction or condition;
  - (b) free of and without any deduction or withholding on account of any Taxation; and
  - (c) without any deduction or withholding on account of any other amount, whether by way of set-off, counterclaim or otherwise.
- 5.6 **GST:** Notwithstanding any other provision in this Agreement, if a party (or, where that party is a member of a GST group, the representative member of that group) is or becomes liable to pay GST in respect of any supply made by it under this Agreement, the other party must

pay to the first-mentioned party, in addition to and at the same time as the amount otherwise payable for the supply, an additional amount equal to the amount of that GST, subject to receipt of a tax invoice (or such other information as may be required to be provided under the GST Act).

- 5.7 **Expenses:** Where any indemnity, reimbursement or similar payment under this Agreement ("**Reimbursement or Indemnity Payment**") is based on any cost, expense or other liability, the amount of the Reimbursement or Indemnity Payment shall be calculated net of any entitlement to input tax or deduction from output tax for GST purposes in relation to the relevant cost, expense or other liability, provided that if the Reimbursement or Indemnity Payment is or is deemed to be consideration for a supply by the recipient of the payment, the party paying the Reimbursement or Indemnity Payment will pay to the other party an additional amount equal to the GST (if any) chargeable on that supply in accordance with clause 5.6.

## 6. PRE-COMPLETION OBLIGATIONS

- 6.1 **Conduct of the Business during the Interim Period:** During the Interim Period, the Vendor must use all reasonable endeavours to procure that each of the Group Companies will, and (to the extent that a Group Company can by exercising its voting, contractual or other rights to do so) each Joint Venture will:

- (a) **Going concern:** operate the Group Companies and carry on the Business as a going concern;
- (b) **Conduct of the Business:** conduct the Business and use the assets owned by the Group Companies and/or used in the Business in the ordinary course of business and in substantially the same manner as it has done in the 12 months preceding the date of this Agreement;
- (c) **Licences:** use reasonable endeavours to:
  - (i) maintain all regulatory licences, approvals and consents, including the Business Licences, required in order to operate the Business; and
  - (ii) do, not do or omit to do anything that would or would be reasonably likely to prejudice the currency of, or ability to renew, any such licences, approvals or consents, including the Business Licences;
- (d) **Maintenance of fixed assets:** maintain all fixed assets of the Group in as good a state of operating condition, order and repair as they were in at the date of this Agreement, having regard to the age and book value of such fixed assets, except for ordinary depreciation and fair wear and tear;
- (e) **Purchase of fixed assets:** not acquire or purchase any fixed assets, nor enter into any capital commitment other than as Fairly Disclosed in the Due Diligence Material, or other than in the ordinary course of conducting its business as Fairly Disclosed in the Due Diligence Material, individually or in aggregate in excess of \$1,000,000;
- (f) **Sale of fixed assets:** not dispose of any fixed assets with a book value in excess of \$1,000,000, individually or in the aggregate, other than (i) in the ordinary course of conducting its business or (ii) where the sale of, or the purchase of a replacement of, such fixed assets are specifically provided for in the budgets which have been Fairly Disclosed in the Due Diligence Material;

- (g) No New Liabilities or Indebtedness: Other than the renewal or extension of the current facility agreement between the Vendor and the Company in respect of the period to Completion, not create or incur any material liability or Indebtedness (whether contingent or otherwise), or enter into any guarantee, indemnity or surety, except in the ordinary course of business;
- (h) Insurance: maintain and keep in force all material insurance policies in force at the date of this Agreement in respect of the Group Companies, the Business and the assets of the Group Companies on materially the same terms and conditions and make payment of all premiums payable in respect of such policies;
- (i) Existing Contracts: other than in the ordinary course of business and/or consistent with past practice, not materially vary (including by way of early termination) (or agree to materially vary) any existing contract, licence, deed, agreement or arrangement in respect of the Business which involves for the Group aggregate revenue or expenditure of more than \$1,500,000 per annum, individually or in the aggregate (and including, for clarity, any joint venture agreement or shareholders' agreement (or similar) in relation to any Joint Venture), provided that neither the Vendor nor any Group Company shall, without the prior written consent of the Purchaser (acting reasonably and without delay) vary, amend or change (or agree to vary, amend or change) any of the following documents, agreements or arrangements, or any documents, agreements or arrangements related to:

so that the relevant terms of such document, agreement or arrangement are (or are likely to be) (when taken as whole) more onerous for the Purchaser, in any material respect, than those applying at the date of this Agreement;

- (j) New Contracts: other than in the ordinary course of business, not enter into any new contract, agreement or arrangement in respect of the Business which involves for the Group aggregate revenue or expenditure of more than \$1,500,000 per annum, individually or in the aggregate, or which would otherwise be a Significant Contract;
- (k) Claims: promptly notify the Purchaser in writing upon becoming aware of any claim or related series of claims of more than \$1,500,000, individually or in the aggregate,

- or any new lawsuits, proceedings, demands, or regulatory investigations which occur, or are brought, asserted, instigated or commenced against it, or, in respect of the Business or any of the Group Companies' assets only, against any of its officers or employees;
- (l) Initiating and settling claims: not initiate or settle any legal claims, demands or proceedings for an amount resulting in a cost to the Group Companies which exceeds \$1,500,000 other than for the collection of debts owing to that Group Company;
  - (m) Constitution: not alter, adopt or revoke any Group Company's constitution;
  - (n) Share Capital: not do any of the following:
    - (i) increase, reduce or otherwise alter that Group Company's share capital or grant any options or rights for the issue of shares or other securities; or
    - (ii) issue, redeem, buy back, sell or otherwise dispose of any shares in that Group Company, or create any obligation to issue, redeem, buy back, sell or otherwise dispose of any shares in that Group Company; or
    - (iii) alter any rights or restrictions attaching to any of the Shares;
  - (o) Payments to Directors: not pay any fees or other emoluments to, or for the benefit of, any director of a Group Company other than normal remuneration and allowances payable to executive directors and the JV External Directors in each case consistent with past practice;
  - (p) Employment: not alter, in any material respect, any of the remuneration, benefits or other conditions of employment or engagement of any director, officer, employee or consultant or independent contractor of a Group Company other than changes consistent with the normal business practices employed by that Group Company or to amend the terms of the agreements with any owner-drivers to ensure the owner-drivers are not employees at Law (provided that such amendments are in accordance with and reflect the legal advice to Waste Management NZ Limited from LangtonHudsonButcher dated 14 November 2021), or terminate the employment of or encourage the resignation of, or offer employment to or employ (other than in substitution of another employee who has resigned), any person with an annual base salary (including any bonus, incentive or other benefit) in excess of \$150,000 per annum or on any terms which are unusual by reference to existing employment terms applicable to that Group Company;
  - (q) Intellectual Property: other than in the ordinary course of business, not grant to any third party the right to use any Intellectual Property of that Group Company or alter any Intellectual Property licences;
  - (r) Dividends: not pay or make any dividend or other distribution, except as permitted by clause 6.5;
  - (s) Merger or consolidation: not merge or consolidate with any other corporation or acquire all or substantially all of the shares or the business or assets of any other person, firm, association, corporation or business organisation, or agree to do any of the foregoing;

- (t) Major transaction: not enter into any major transaction (as that term is defined in the Companies Act);
- (u) Accounting policies: except as required by Law, not materially modify any of its accounting policies or procedures;
- (v) Tax: not make any material Tax election or settle or compromise any material Tax liability, unless the election, settlement or compromise is required by Law or is in the ordinary course of business;
- (w) Joint ventures: not enter into, amend or vary any joint venture, partnership, unincorporated association or similar arrangement;
- (x) Refuse deposits and levies: deposit or dispose of refuse at landfills, including those used by the Group Companies in the ordinary course of business, and pay all costs and levies (or similar amounts) in respect of such deposits or disposals in substantially the same manner as it has done in the 12 months preceding the date of this Agreement, including as to the frequency and timeliness of any such deposits, disposals and/or payments (as applicable);
- (y) Capital expenditure: use reasonable endeavours to undertake all capital expenditure during the Interim Period in the ordinary course of business and otherwise in accordance with the amounts and timelines included in the Capex Schedule;
- (z) Matariki SPA condition: not waive any condition under the Matariki SPA; and
- (aa) Redvale put options: not enter into any surrender (or similar) arrangements in respect of the put option agreements relating to the Redvale landfill, except as required in order to comply with the terms of, and the arrangements in connection with, such put option agreements in place at the date of this Agreement as Fairly Disclosed in the Due Diligence Material.















**6.3 ARL and Tirohia consents:**

- (a) Without limitation to clause 6.1(c), prior to Completion, the Vendor must:
- (i) diligently pursue the resource consents, including the proceedings relating to such consents, for the Auckland Regional Landfill and the extension to the Tirohia Landfill;
  - (ii) keep the Purchaser informed in a timely manner as to progress in procuring such consents, including promptly providing the Purchaser with a copy of all material filings and other material correspondence and keeping the Purchaser informed in a timely manner of the status of any material discussions or negotiations in respect of, or relating to, such consents; and
  - (iii) subject to the Purchaser complying with clause 6.3(b), where a decision in respect of procuring such consents would involve a key strategic decision or compromising, settling or agreeing any material matters, and that decision would ordinarily require the approval of the Managing Director of the Company:
    - (aa) not make such decision or agree to any compromise, settlement or agreement without first consulting with the Purchaser's Nominee; and
    - (bb) obtain the prior written approval of the Purchaser's Nominee, such approval not to be unreasonably withheld, delayed or conditioned,

and sub-clauses (aa) and (bb) will be deemed to be satisfied if the Purchaser's Nominee is not able to be contacted by phone or email within a 48 hour period, or fails to make a decision, within such timeframe as the Vendor considers (acting reasonably) that the Court's process requires, provided that the Vendor shall in all cases in discharging its obligations

under this clause promptly (but in any case within 24 hours after becoming aware of any relevant timeframe) notify the Purchaser's Nominee by phone or email of that timeframe; and

- (b) the Purchaser must, within five Business Days of the date of this Agreement, appoint a nominee for the purposes of clause 6.3(a)(iii) ("**Purchaser's Nominee**"), who is authorised to give the approval(s) required by that clause, and notify the Vendor of the identity of the Purchaser's Nominee and their contact details.

6.4 **General Exceptions:** Clause 6.1 does not restrict the Vendor or any Group Company from doing or not doing anything, that:

- (a) is specifically contemplated or required by this Agreement;
- (b) is necessary to comply with any applicable law or any applicable regulatory requirement or any direction provided by an Authority to the Vendor or the Group Company (as applicable);
- (c) is specifically provided for and permitted under the budget for the financial year ended 31 December 2022 (being the documents in Data Room folders 03.01, 03.02.05 and 03.05.12) as Fairly Disclosed in the Due Diligence Material;
- (d) is reasonable to respond to any emergency or disaster;
- (e) has been Fairly Disclosed in the Due Diligence Material, including in respect of performing any contractual obligations that have been Fairly Disclosed in the Due Diligence Material; or
- (f) is done or not done with the prior consent of the Purchaser (which consent must not be unreasonably withheld, conditioned or delayed),

provided that the Vendor must notify the Purchaser prior to, or promptly after, any action is taken in accordance with clauses 6.4(b) to 6.4(f) if that action would otherwise constitute a breach of clause 6.1, with such notice to include reasonable detail of the action to be taken or which has been taken (as the case may be).

6.5 **Permitted acts:** Before Completion, but subject to compliance with all relevant Law, notwithstanding clause 6.1, a Group Company may:

- (a) pay cash dividends provided that if any such dividend is declared then:
  - (i) it must be paid (for the purposes of section OB 30 or OP 28 (as applicable) of the Tax Act) prior to Completion;
  - (ii) it may only be imputed to the extent of imputation credits (if any) available at the date of the dividend;
  - (iii) the amount of imputation credits attached must not exceed the amount permitted to be attached under the benchmark dividend rules in section OB 61 or OP 43 (as applicable) of the Tax Act; and
  - (iv) the imputation credit account of the Company must not have a debit balance at Completion; or

- (b) pay principal, interest, fees, costs or any other moneys payable in respect of any Indebtedness.
- 6.6 **Purchaser Access to Senior Management and Information:** During the Interim Period, the Vendor will, and will procure that the Group Companies will, arrange for the Purchaser and its Representatives to have such access as the Purchaser reasonably may request, during usual office hours, to Senior Management, to any premises from which the Business is conducted (including any Properties), and to any reports provided by the Company to the Vendor for the purposes of the Purchaser preparing for the ownership of, and familiarising itself with, the Group Companies and the Business provided that in exercising its rights under this clause 6.6, the Purchaser:
- (a) will ensure that no substantial or material interference or disruption is caused to the operation of the Business;
  - (b) will ensure that the Purchaser and its Representatives comply with all reasonable requirements of the Vendor in relation to physical presence on the Properties, including health and safety requirements;
  - (c) must give reasonable prior notice to the Vendor of its request for access and, if required by the Vendor (acting reasonably), the Representatives of the Purchaser must be accompanied by a Representative of the Vendor; and
  - (d) has no rights to direct or provide instructions in relation to the operation of the Business or interfere with the Business.
- 6.7 **Contact with employees:** Subject to clause 6.6, prior to Completion, the Purchaser shall not, without the prior written consent of the Vendor (which consent must not be unreasonably withheld or delayed), contact any employee of any of the Group Companies other than as expressly permitted pursuant to this Agreement, and shall not in any way seek to direct, influence or control the management, conduct or operation of all or any part of any of the Group Companies.
- 6.8 **Notice of breach:** If, at or prior to Completion, the Vendor becomes aware of any breach of any of the Warranties, or any of the obligations of the Vendor under this Agreement, including under clause 6.1, the Vendor shall promptly (but in any case within five Business Days of the Vendor becoming aware of the breach (or such shorter period if required having regard to the Completion Date), but in any event prior to Completion) give written notice to the Purchaser of that fact and the circumstances giving rise to it.
- 6.9 **Return of information:** If this Agreement is cancelled or terminated, the Purchaser shall promptly return to the Vendor all written or recorded information relating to the Group Companies, and any other information relating to the Transaction, which the Purchaser or its Representatives have obtained from the Vendor or its Representatives. This clause 6.8 does not limit clause 17, or any other confidentiality arrangements entered into by the parties in connection with the Transaction.
- 6.10 **New directors etc:** The Purchaser will, at least 5 Business Days before the Completion Date, give to the Vendor a notice setting out details of:
- (a) the persons who the Purchaser will nominate as directors of each Group Company (to the extent the Vendor or a Group Company has the right to appoint such directors) from Completion (which must be the same individuals identified in the application for consent submitted to OIO under clause 3.2(d), unless agreed

otherwise by the Vendor), together with signed director consent forms (and such other information as is required in New Zealand) in respect of the appointment of each such director (the "**Incoming Directors**"). At least one such director must meet the residency requirements set out in the Companies Act;

- (b) the persons who will be required to resign as directors of the Group Companies from Completion (the "**Retiring Directors**"), provided that the Retiring Directors may not include any director of a Group Company who was not appointed by the Vendor or a Group Company; and
- (c) the proposed changes to the signatories of any bank account maintained by the Group Companies (other than the Joint Ventures), together with specimen signatures of the new signatories and any related documentation required by the relevant financial institution.

6.11 **Determination of the Vendor Debt Balance, the Cash Advance Facility Balance and the Initial Purchase Price:** No earlier than 14 Business Days, and no later than 12 Business Days, prior to the Completion Date, the Vendor must determine (acting reasonably) and notify the Purchaser in writing of:

- (a) the Vendor Debt Balance;
- (b) the Cash Advance Facility Balance;
- (c) the Initial Purchase Price;
- (d) the Estimated NWC and the Estimated Net Debt; and
- (e) the following adjustments to the Initial Purchase Price:
  - (i) if the Estimated NWC is greater than the Reference NWC, the amount equal to the excess of the Estimated NWC over the Reference NWC;
  - (ii) if the Estimated NWC is less than the Reference NWC, the amount equal to the excess of the Reference NWC over the Estimated NWC; and
  - (iii) the absolute value of the Estimated Net Debt, which will be expressed as a positive number if Debt exceeds Cash and a negative number if Cash exceeds Debt.

6.13 **Application of Insurance Proceeds:** Without limitation to clause 6.1, if during the Interim Period there is any material damage to, or destruction of, any of the Properties (or any part of any of the Properties), including any material fixtures, fittings, plant, equipment or other assets (including motor vehicles) located at any of the Properties, where the relevant Property is used in whole (or in part only) by the Group Companies in the Business as a landfill or refuse transfer station, (a "**Damage or Destruction Event**") the Vendor must:

- (a) ensure that no Group Company takes any action, or omits to take any action, that would or would be reasonably likely to result in or contribute towards a Group Company not being able to make or pursue a claim, or materially reduce the amount of any claim which may be made or proceeds that may be received by any Group Company in respect of the Damage or Destruction Event under any relevant insurance policies maintained by the Group Companies;
- (b) procure that the relevant Group Companies promptly make a claim under all relevant insurance policies maintained by the Group Companies for the maximum amount the relevant Group Companies are entitled to claim for any such damage, destruction and/or business interruption in respect of, or as a result of or in connection with, such Damage or Destruction Event;
- (c) procure that the Group Companies promptly, and during the Interim Period where practicable, apply any proceeds received from any claims under any relevant insurance policies (together with any amounts to be received under the relevant insurance policies and an amount equal to any excess under the relevant insurance policies, but net of any tax payable on such proceeds or other amounts, the "**Insurance Proceeds**"), but excluding in each case any Insurance Proceeds received under any business interruption or similar insurance, towards, and otherwise take all reasonable actions, steps and works that a prudent owner and operator of a business of the nature of the Business would take towards, repairing and re-instating the Property (or any part of the Property) to a state and condition equivalent in all material respects to the state and condition of the relevant Property (or the relevant part of the Property) immediately prior to the occurrence of the Damage or Destruction Event and in any event so the Business can be carried on in the ordinary course of business as it was carried on immediately prior to such Damage or Destruction Event; and
- (d) procure that the Group Companies consult with the Purchaser in relation to, and keep the Purchaser informed of the progress of, any relevant insurance claim, and provide the Purchaser with copies of all relevant documents (including all material correspondence with any insurer) in connection with the same and, in respect of any action, step or work proposed to be undertaken with an estimated cost or value in excess of \$1,000,000, seek the Purchaser's prior written consent to such action, step or work (such consent not to be unreasonably withheld or delayed).

## 7. COMPLETION

7.1 **Time for Completion:** Completion shall take place as early as practicable, but not later than 15:00 in Wellington, New Zealand, on the Completion Date by way of remote settlement.

7.2 **Vendor's obligations on Completion:** At or before Completion, the Vendor shall deliver the following to the Purchaser:

- (a) transfers of the Shares to the Purchaser duly executed by the applicable Vendor in registrable form;
- (b) the share certificates for the Shares, or a certificate by a director of the Company that no share certificates have been issued for the Shares;
- (c) a copy of any power of attorney or other authority under which the transfers of the Shares are executed by the Vendor;

- (d) evidence satisfactory to the Purchaser (acting reasonably) that the Purchaser will, subject to and with effect from Completion, be registered in the share register of the Company as the holder of the Shares;
- (e) evidence satisfactory to the Purchaser (acting reasonably) of the passing by the board of directors:
  - (i) of the Company of a valid resolution approving the transfers of the Shares and directing that the name of the Purchaser be entered in the share register of the Company upon production of the applicable transfer duly executed;
  - (ii) of each relevant Group Company, of a valid resolution appointing the Incoming Directors of the applicable Group Company with effect on and from Completion, subject to the receipt of duly signed consents to act from the relevant Incoming Directors; and
  - (iii) of each Group Company, of a valid resolution:
    - (aa) accepting the resignations of all Retiring Directors of the applicable Group Company with effect on and from Completion but so that a properly constituted board of directors of each Group Company is in existence at all times; and
    - (bb) changing the signatories of any bank account maintained by the applicable Group Company to those individuals notified by the Purchaser under clause 6.10(c) with effect on and from Completion;
- (f) any Direction Letter required under clause 7.4(a), duly signed on behalf of the Company;
- (g) the Business Records of each Group Company (excluding the Joint Ventures);
- (h) the resignations of Retiring Directors identified in the notices given pursuant to clause 6.10(b), from their office of director of, and all offices or places of profit under, each Group Company (as applicable, but excluding the directors of the Joint Ventures not appointed by the Company) and acknowledgements by them to the effect that no moneys are owing to them whether by way of fees, salary, expenses, compensation for loss of office or otherwise and that they have no claims of any nature whatsoever against any Group Company;
- (i) in respect of any Security Interest over:
  - (i) the Shares; or
  - (ii) any of the assets and undertakings of any Group Company (excluding the Joint Ventures and except to the extent such Security Interest(s) comprise a Permitted Encumbrance),

immediately prior to Completion, evidence satisfactory to the Purchaser that the Security Interest has been released with effect from Completion;
- (j) evidence satisfactory to the Purchaser that any financing statement registered on the PPS Register over any Group Company (excluding the Joint Ventures) not

describing a Permitted Encumbrance has been amended or discharged with effect on or prior to Completion;

- (k) evidence satisfactory to the Purchaser that the run-off insurance contemplated by clause 9.1 is in place with effect on and from Completion; and

7.3 **Deemed Delivery:** Where the Vendor and the Purchaser agree that delivery to the Purchaser of an item at Completion is impracticable or inconvenient, the requirement for delivery may be satisfied by the Vendor placing that item under the control of a Group Company or the Purchaser.

7.4 **Payments and other obligations of the Purchaser on Completion:** At Completion, the Purchaser shall:

- (a) if there is any Vendor Debt Balance and/or any Cash Advance Facility Balance, provide to the Company by way of loan an amount equal to the aggregate of the Vendor Debt Balance and/or the Cash Advance Facility Balance (the "**Purchaser Advance**") in order for the Group to repay in full the Vendor Debt Balance and the Cash Advance Facility Balance, which the Company will direct pursuant to a letter of direction in the Agreed Form (the "**Direction Letter**") that the Purchaser pay (or procure the payment) directly to:
  - (i) the Vendor at the Vendor's Bank Account in accordance with clause 5.5 in order to settle in full the Vendor Debt and to obtain releases of the encumbrances securing the Vendor Debt, against which payment of the Vendor Debt shall be deemed to be discharged in full; and
  - (ii) ANZ Bank New Zealand Limited at its nominated account (as set out in the Cash Advance Facility Agreement or otherwise notified to the Company in writing) in accordance with clause 5.5 in order to settle in full the Cash Advance Facility Balance and to obtain releases of the encumbrances securing the Cash Advance Facility Balance, against which payment of the Cash Advance Facility Balance shall be deemed to be discharged in full;
  - (iii) pay the Initial Purchase Price, in the manner specified in clause 5; and
- (b) deliver to the Vendor:
  - (i) a signed copy of the completion no claims declaration required to be provided by the Purchaser to the Warranty Insurer under the Warranty Insurance Policy;
  - (ii) evidence, in a form satisfactory to the Vendor (acting reasonably), that the W&I Policy Cost has been paid (or will be paid at Completion in accordance with the payment instructions of the Warranty Insurer); and
  - (iii) a certificate of currency regarding the Insurance Policy that each condition to the Warranty Insurer's obligations under the Warranty Insurance Policy has been satisfied (or will be satisfied if Completion occurs); and

7.5 **Completion simultaneous:** The actions to take place as specified in clauses 7.2, 7.3 and 7.4 are interdependent and must take place at the same time and on the same day. A party need not complete the sale or purchase of any of the Shares unless the sale and purchase of all the Shares is completed simultaneously. Without limiting clause 7.6, if one action does not take place on the Completion Date, then without prejudice to any rights available to any party as a consequence:

- (a) there is no obligation on any party to undertake or perform any of the other actions;
- (b) to the extent that such actions have already been undertaken, the parties must do everything reasonably required to reverse those actions; and
- (c) the Vendor and the Purchaser must each return the other all documents delivered to it under clause 7.2 and 7.3 and must each repay (or procure the repayment) to the other all payments made under clause 7.4, without prejudice to any other rights any party may have in respect of that failure.

7.6 **Default:** If the Purchaser or the Vendor (each a "**Defaulting Party**") defaults in any material respect in the performance of any of its obligations under this clause 7, the other party (each a "**Non-Defaulting Party**") may, to the extent it is ready, willing and able to comply with its obligations under this clause 7, give written notice to the Defaulting Party requiring the Defaulting Party to remedy the default within 10 Business Days. If the Defaulting Party fails to remedy the default within that time period, the Non-Defaulting Party may cancel this Agreement by written notice to the Defaulting Party, or seek specific performance. In any case, the Non-Defaulting Party may seek damages for the default.

## 8. PURCHASE PRICE ADJUSTMENT

### 8.1 Preparation of Completion Statement:

- (a) Immediately before the Completion Date, the parties will instruct the Finance Director in writing to prepare the Completion Statement. The Vendor and the Purchaser shall use all reasonable endeavours to procure that as soon as practicable, but no later than 20 Business Days after Completion, the Finance Director delivers the Completion Statement to the Purchaser and the Vendor.
- (b) The Completion Statement must be prepared:
  - (i) on the basis, and in the format, set out in Schedule 6 using only the GL codes set out in that Schedule and any new GL codes agreed by the Vendor and the Purchaser, and in accordance with the Specific Accounting Principles; and
  - (ii) subject to clause 8.1(b)(i) (which shall prevail in the event of any inconsistency), in accordance with the preparation and accounting policies used in the preparation of the Last Financial Statements; and
  - (iii) subject to clauses 8.1(b)(i) and (b)(ii) (which shall prevail in the event of any inconsistency), in accordance with NZ IFRS.
- (c) For the avoidance of doubt, clause 8.1(b)(i) shall take precedence over clause 8.1(b)(ii) and clause 8.1(b)(iii), and clause 8.1(b)(ii) shall take precedence over clause 8.1(b)(iii).

- (d) **Certificate:** The Vendor and the Purchaser shall procure that, at the same time as providing the Completion Statement under clause 8.1(a), the Finance Director provides a certificate to the effect that the Completion Statement has been prepared on the basis provided for in clauses 8.1(b) and 8.1(c).
- (e) **Audit:** As soon as the Vendor and the Purchaser have received the Completion Statement, they will instruct the Auditors to audit the Completion Statement. An agreed form of the engagement letter to be issued by the Vendor and the Purchaser to the Auditors is attached as Schedule 8. The cost of the audit will be borne equally (50/50) by the Vendor and the Purchaser. If the Auditors give a qualified report, an adverse opinion or a disclaimer of opinion on the Completion Statement, the Vendor and the Purchaser will immediately and with due diligence take all practical steps to address the Auditors' reservations and obtain an unqualified report or, if such efforts would be futile, work in good faith to address such reservations, limiting items or adverse points commercially, within 20 Business Days of the Vendor's and the Purchaser's receipt of the Completion Statement from the Finance Director.
- (f) **Basis for Adjustment:** Subject to clause 8.2, once the Auditors have issued an unqualified audit report, the Completion Statement will be used as the basis for an adjustment to the Purchase Price in accordance with clause 8.5.

**8.2 Reference of Dispute: If:**

- (a) within 15 Business Days after the issue of an unqualified report on the Completion Statement by the Auditors in accordance with clause 8.1(a), a difference or dispute arises between the Vendor and the Purchaser provides written notice to the other party of a difference or dispute concerning any matter relating to the Completion Statement; or
- (b) failure to prepare the Completion Statement or to obtain a certificate on the Completion Statement under clause 8.1(d) within 20 Business Days of the Completion Statement or failure by the Auditors to give an unqualified report for the purposes of clause 8.1(e), within 20 Business Days (or as soon as practicable thereafter) of the Vendor's and the Purchaser's receipt of the Completion Statement from the Finance Director in accordance with clause 8.1(a), for any reason whatever, may be deemed, at the election of either the Vendor or the Purchaser, to constitute a dispute within the meaning of this clause 8.2,

the difference, dispute or failure will be determined by an Expert (including, in the case of clause 8.2(b), by the Expert preparing a draft Completion Statement). The Expert may determine the Completion Statement independently, but subject to clause 8.1(b). The Purchaser must ensure that the Expert is given all information and assistance reasonably requested by the Expert to review or prepare (as applicable) the Completion Statement and must permit the Expert to have reasonable access to management and records of the Group Companies in order to review or prepare (as applicable) the Completion Statement. The parties will instruct the Expert to provide a response within 20 Business Days of the dispute being referred to the Expert, or such other period as the parties may agree. The Expert acting under this clause 8.2 acts as an expert and not as an arbitrator and the determination of the Expert will (in the absence of manifest error) be final and binding on the Vendor and the Purchaser. The contents of the Completion Statement when finalised by the Expert will be deemed to be the Completion Statement and used as the basis for any adjustment to the Purchase Price in accordance with clause 8.5.

**8.3 Arbitration statutes not to apply:** Referral to the Expert in accordance with this clause 8 will not be an arbitration agreement for the purposes of the Arbitration Act 1996 and the provisions of that Act will not apply to, or govern such referral.

8.4 **Costs:** The parties will bear their own costs (including legal costs) and an equal share of the costs and expenses of the Expert unless, in respect of the costs of the Expert only, the Expert decides otherwise having regard to the relative position of the parties on the disputed matters.

8.5 **Determination of adjustment to the Purchase Price:**

- (a) If:
- (i) the Actual NWC is greater than the Estimated NWC, then the Purchaser must pay to the Vendor an amount equal to the difference;
  - (ii) the Actual NWC is less than the Estimated NWC, then the Vendor must refund to the Purchaser an amount equal to the difference;
  - (iii) the Actual Net Debt is less than the Estimated Net Debt, then the Purchaser must pay to the Vendor an amount equal to the difference; and
  - (iv) the Actual Net Debt is more than the Estimated Net Debt, the Vendor must refund to the Purchaser an amount equal to the difference;

provided that:

- (v) the amounts payable by the Vendor to the Purchaser or by the Purchaser to the Vendor pursuant to clause 8.5(a) shall be set off against each other to the extent possible so that only one payment on the Adjustment Date in respect of the balance of such amounts (if any) shall be made (the "**Adjustment Amount**"); and
  - (vi) the Purchaser is not obligated to pay any amount to the Vendor and the Vendor is not obligated to pay any amount to the Purchaser under this clause 8.5(a) unless the Adjustment Amount exceeds the absolute value of \$1 million.
- (b) If the Adjustment Amount is payable by the Vendor to the Purchaser under clause 8.5(a), the Adjustment Amount is to be treated as a reduction in the Purchase Price and a negative number.
- (c) If the Adjustment Amount is payable by the Purchaser to the Vendor under clause 8.5(a), the Adjustment Amount is to be treated as an increase in the Purchase Price and a positive number.

9. **POST COMPLETION**

9.1 **Run-off insurance:** For a period of at least six years following Completion, the Vendor will indemnify (to the extent not covered by insurance), and the Purchaser will procure that the Company will maintain sufficient insurance to indemnify, each person who was a director of a Group Company prior to Completion ("**Former Director**") in respect of liability to any person for any act or omission by the Former Director in their capacity as a director of the relevant Group Company, and costs incurred by the Former Director in defending or settling any claim or proceeding relating to any such liability. The parties acknowledge and agree that the obligations in this clause 9.1 are for the benefit of each of the Former Directors and is intended to be enforceable against the Vendor (in respect of the indemnity) and the Purchaser (in respect of the insurance) by any of them in accordance with the provisions of the Contract and Commercial Law Act 2017.

9.2 **Use of Vendor names:** On and from Completion, the Purchaser must not, and must ensure that its Affiliates (including the Group Companies) do not, use any trade mark, logo (either on its own or in combination with other material) get up or business, domain or company name containing:

- (a) the words “首创”, “Capital Group” or “Beijing Capital Group”; or
- (b) any word, expression, letter, name, logo or mark that is similar to or likely to be mistaken for or confused with any of the above,

including in any form that a Group Company has used before Completion, but provided that, where such name is included in the name of a Group Company, such name may be used for up to five Business Days following Completion to enable such name to be changed.

## 10. VENDOR WARRANTIES

10.1 **Warranties:** The Vendor represents and warrants to the Purchaser that each of the Warranties are true, correct and not misleading on the date of this Agreement and at the time immediately before Completion by reference to the facts and circumstances then existing, except that a Warranty expressed to be given as at a particular date is given only at that date (including where the Warranty refers to being given as at the date of this Agreement or as at Completion).

10.2 **Separate and independent:** Each of the Warranties is separate and independent and, except as expressly provided, shall not be limited by reference to any other Warranty.

10.3 **Warranties for Purchaser's benefit:** The Warranties are given for the benefit of the Purchaser and may not be relied upon by any other person.

10.4 **Undertaking not to make Claims:** The Purchaser must not make a claim against any director, officer, or employee of the Vendor or of any Group Company who was at the date of this Agreement a director, officer or employee of the Vendor or a Group Company in respect of any matter arising in connection with this Agreement, including any breach of Warranty, except to the extent such individual engaged in fraud or criminal dishonesty.

10.5 **Indemnity:** Subject to this clause 10 and clauses 11 and 12, which are to apply to this clause 10.5 as though a requirement under it were a Claim in respect of a Warranty, if there is a breach of any Warranty, the Purchaser may, by notice in writing to the Vendor, specify the breach and require the Vendor:

- (a) within 10 Business Days after receipt of the notice to remedy fully the breach of the Warranty at the Vendor's cost; and
- (b) to indemnify the Purchaser and the Group Companies against, and to pay the Purchaser an amount equal to, all loss arising directly or indirectly from, and any reasonable costs, charges or expenses incurred in connection with, that breach of the Warranty.

10.6 **Loss:** In respect of any Claim by the Purchaser for breach of a Warranty, the amount of any loss includes an amount that would be necessary to put the Purchaser or the Group Company (as applicable) in the same position as if the Warranty had been true, accurate and not misleading.

10.7 **Exceptions:** The Vendor's Warranties (other than the Tax Warranties) are subject to the following matters:

- (a) any matter, circumstance, disclosure or information Fairly Disclosed in the Due Diligence Material;
- (b) any matter specifically provided for under the terms of this Agreement;
- (c) any fact, matter or circumstance that ought reasonably to have been known by a person familiar with the industry in which the Business or a Group Company operates;
- (d) anything done or omitted at the written request, or with the written approval, of the Purchaser;
- (e) the qualification that the Vendor shall not be liable to the Purchaser in respect of, or for the consequences of, any failure to obtain:
  - (i) the consent of a Landlord to a Change of Control of a Group Company in respect of the Leased Properties; or
  - (ii) the consent of any person to the Change of Control of a Group Company in respect of any contract,in connection with this Agreement or the Transaction;
- (f) the qualification that the Vendor will not be liable to the Purchaser hereunder for any matter or circumstance arising or relating to any period following the sale by the Purchaser (or a Group Company) of all or materially all of the Business and/or Assets to a third party (which, for the avoidance of doubt, does not include any sale to any Affiliate of the Purchaser), or a change of control in a Group Company's holding company (being the sale, transfer or disposal of more than 50% of the shares or other securities in a Group Company's holding company to a third party (which, for the avoidance of doubt, does not include any sale, transfer or disposal of shares or securities to any Affiliate of the Purchaser)) has occurred after the Completion Date; and
- (g) the qualification that the Vendor will not be liable to the Purchaser for any claim for a breach of Warranty to the extent that the Purchaser has made recovery under the Tax Indemnity.

10.8 **Awareness:**

- (a) Where a Warranty is expressed to be given, or any other provision of this Agreement is qualified, as to the awareness, knowledge or belief of the Vendor, or any similar formulation of words, this is deemed to be a reference to the actual knowledge as at the date of this Agreement of the Senior Management, and shall not include any facts or circumstances of which any person has constructive knowledge only.
- (b) Where a Warranty relates to a Joint Venture or its Assets, business, conduct or affairs or is otherwise given in connection with a Joint Venture, in each case it will be deemed to be given to the Vendor's actual knowledge only, in each case having regard to the roles, responsibilities and duties to be performed or otherwise undertaken by the Company (or any director or employee of the Company or any other Group Company) in relation to or in connection with that Joint Venture.

- (c) Each party acknowledges and undertakes that:
  - (i) no individual named or identified as Senior Management has or will have any duty of care or any other duty whatsoever, in each case, to the parties to this Agreement by virtue of being so named or identified;
  - (ii) the reference to the knowledge, information, belief or awareness of the individuals named or identified as Senior Management does not give rise to or impose upon such individuals any personal liability whatsoever and howsoever arising, whether present, unascertained, immediate, future or contingent, whether based in law, contract, tort, statute or otherwise; and
  - (iii) it does not have and it will not have any right to make a Claim against any of the individuals named or identified as a Senior Management solely by virtue of them being named or identified as Senior Management.

**10.9 Duty to mitigate:**

- (a) The Purchaser shall take, and shall procure that following Completion the Group Companies take, all reasonable steps to avoid or mitigate any loss which might give rise to a Claim (other than a Tax Claim) under this Agreement.
- (b) The Purchaser shall not omit, and shall procure that no Group Company omits, to take any reasonable action that would mitigate any loss which may give rise to a Claim (other than a Tax Claim).
- (c) If the Purchaser does not comply with clauses 10.9(a) and/or 10.9(b) and compliance with such clause would have mitigated the loss, the Vendor is not liable to the extent of the amount by which the loss would have been reduced by such compliance.

**10.10 Restrictions on Claims:** The Purchaser has no Claim (other than a Tax Claim) against the Vendor under this Agreement to the extent that:

- (a) the Claim arises from a matter which would have been discovered from a search of the following public registers or public registers maintained by the following organisations (as relevant) on the date which is three Business Days prior to the date of this Agreement:
  - (i) the High Court of New Zealand, Court of Appeal of New Zealand and Supreme Court of New Zealand;
  - (ii) the Intellectual Property Office of New Zealand;
  - (iii) the New Zealand Companies Office;
  - (iv) the New Zealand Insolvency Register;
  - (v) the PPS Register; and
  - (vi) Land Information New Zealand,

- in each case searching in respect of the Vendor and the Group Companies (as the case may be) (and, in the case of the PPS Register, searching separately by both company name and company number);
- (b) the relevant circumstance or amount has been or is made good, or recovered by or paid to the Purchaser or its Related Companies without loss to the Purchaser or its Related Companies;
  - (c) the relevant event, circumstance or loss to which the Claim relates would not have arisen but for:
    - (i) any act or omission by the Purchaser or any of its Related Companies (including any Group Company after Completion), provided that this clause 10.10(c)(i) shall not apply to any act or omission of a Group Company prior to Completion, or any act or omission of any Group Company after Completion which is consistent with any acts or omissions of the Group Companies in carrying on the Business in the ordinary course of business in the 12 months prior to the date of this Agreement;
    - (ii) any matter or thing required to be done, or required to be omitted to be done, in accordance with any express provision of this Agreement;
    - (iii) an obligation or commitment entered into or made after Completion by the Purchaser or any of its Related Companies, provided that this clause 10.10(c)(iii) shall not apply to any obligation or commitment of any Group Company after Completion which is consistent with any obligations or commitments of the Group Companies in carrying on the Business in the ordinary course of business in the 12 months prior to the date of this Agreement or to bring a Group Company or the Business into compliance with applicable Laws; or
    - (iv) the Purchaser or any of its Related Companies admitting liability in respect thereof without the prior written consent of the Vendor;
  - (d) the Claim arises:
    - (i) as a result of any legislation or regulation not in force at the date of this Agreement which takes effect retrospectively, unless such legislation had received the royal assent, or such regulation had been formally implemented in accordance with its empowering legislation, prior to the date of this Agreement; or
    - (ii) as a result only of any increase in the rate of Taxation, or variation in the method of applying or calculating the rate of Tax, in force at the date of this Agreement;
  - (e) the Claim arises as a result of a change after the date of this Agreement (including any change which takes effect retrospectively) in:
    - (i) any Law or interpretation of any Law or in NZ IFRS or interpretation of NZ IFRS; or
    - (ii) the way in which NZ IFRS is applied to any Group Company (including where the Purchaser applies any other accounting standard or policy to a

Group Company, where such accounting standard or policy was not applied to such Group Company prior to the date of this Agreement); or

- (iii) the administrative practice of any Authority when applied in the ordinary course of business of that Authority;
  - (f) the Claim is based on a contingent liability, unless and until the contingent liability becomes an actual liability, provided that this clause 10.10(f) will not prevent the Purchaser in good faith notifying a Claim under clause 12.3;
  - (g) if and to the extent a provision or reserve was made for the relevant event, circumstance, loss, liability, cost or expense to which the Claim relates in the Completion Statement or the Last Financial Statements or the Management Accounts; or
  - (h) the loss giving rise to the Claim is covered by an insurance policy in force at the date of loss (other than the Warranty Insurance) or would have been covered had the Purchaser maintained equivalent insurance cover as the insurance policies of the Group Companies in place as at Completion, provided that the Purchaser may make a Claim for the amount of the insurance excess, and for any loss that would not have been recovered under this clause 10.10(h);
  - (i) to the extent that the Purchaser has Actual Knowledge at the date of this Agreement of the relevant matter, item or circumstance giving rise to the relevant Claim.
- 10.11 **No recovery if in breach:** The Vendor is not required to make any payment in respect of any Claim including under any Warranty while the Purchaser is in breach of any of its material obligations under this Agreement, or if the Purchaser has not complied, in respect of that Claim, with clause 13 or 14.6, as applicable in all material respects.
- 10.12 **Exclusion of indirect liability:** Without prejudice to the limitation in clause 11.4, the Vendor excludes all liabilities for or with respect to any indirect or consequential loss, loss of opportunity, loss of goodwill, damage to reputation, indirect or consequential loss of revenue, or indirect or consequential loss of profit however arising other than loss arising naturally in the ordinary course of things from the relevant facts, matters or circumstances giving rise to the Claim, loss which is a loss of profits or any loss of revenue (including for a Warranty Claim).
- 10.13 **Group Company's loss is Purchaser's loss:** For the purpose of any Claim in relation to a Warranty made by the Purchaser under this Agreement (other than any Claim by the Purchaser in respect of Unrecovered Loss), loss will be deemed to accrue to the Purchaser to the extent that that loss is suffered or incurred by any Group Company. Other than in respect of Unrecovered Loss that the Purchaser is permitted to Claim to the extent contemplated by clause 11.5, it will not be necessary for the Purchaser to establish loss or damage to itself whether by way of diminution of the value of the Shares or otherwise, and the amount of the loss to the Purchaser will be deemed to be equal to the loss suffered or incurred by any relevant Group Company.
- 10.14 **No double claims:** The Vendor shall not be liable to the Purchaser more than once for the same loss arising from the same fact, matter, circumstance or event or other originating cause which might give rise to a Claim.
- 10.15 **Savings:** If the Purchaser is entitled to receive an amount (including any damages) for a Claim, then the amount payable to the Purchaser (and the amount of the Claim) will be reduced (to the extent to which the relevant reduction has not already been taken into account under

clause 12) by the extent to which the loss or other matter to which the Claim relates results in any savings by, or net benefit to, the Purchaser or Related Company of the Purchaser (including by way of any Tax Saving) so that only the net amount is payable by the Vendor.

10.16 **Acknowledgement by Purchaser:** The Purchaser acknowledges that:

- (a) the provisions of this Agreement are fair and reasonable;
- (b) it has had suitable access to the Due Diligence Material and made its own independent enquiry and investigations in relation to the Business and assets of the Group Companies and has entered into this Agreement in reliance solely on its own judgment and not in reliance on any representations or conduct of the Vendor or its Representatives except for the Warranties and other obligations of the Vendor expressly provided in this Agreement, including any representation as to:
  - (i) any financial projections or forecasts in respect of any Group Company, or the future prospects of any Group Company;
  - (ii) any information relating to past, present or future macroeconomic matters, political affairs or governmental policies or practices;
  - (iii) any general information relating to the industry the Group is engaged in; and
  - (iv) any information relating to any competitor of the Business or a Group Company or any businesses of any such competitor (except for contracts between a Group Company and any such competitor);
- (c) except for the Warranties and other obligations of the Vendor expressly provided in this Agreement, all express or (to the extent permitted by Law) implied representations or warranties of the Vendor or any of its Representatives in relation to the sale of the Shares are expressly excluded;
- (d) except for the Warranties and other obligations of the Vendor expressly provided in this Agreement, neither the Vendor, nor their respective Representatives, have made or make any representation, or have given or give any warranty (express or implied), as to the accuracy, content, completeness, value or otherwise of, nor have or accept any liability in respect of, any information (written, oral or otherwise) directly or indirectly provided, or made available to, or used by the Purchaser or its Representatives in connection with, the Transaction, and the Purchaser unconditionally waives any Claim it may have against any of them in respect of such information; and
- (e) the only Warranties given in relation to Tax are set out in clause 6 of Schedule 2 and no other representation or warranty is given in relation to Tax.

The acknowledgements and agreements given in clauses 10.16(a) to (e) and in clause 10.17 are promises which confer, and are intended to confer, a benefit upon the Vendor's Representatives and their partners, employees and officers and, accordingly, the provisions of Subpart 1, Part 2 of the Contract and Commercial Law Act 2017 apply to each of them.

10.17 **Further acknowledgement:** The Purchaser acknowledges and agrees that:

- (a) the only relief available to it arising from any breach of a Warranty is as set out in this Agreement and it is not entitled to any other or separate cause of action for

damages or other relief (including termination of this Agreement) arising from any alleged misrepresentation, breach of warranty or otherwise; and

- (b) to the fullest extent permitted by Law, it will not make, and releases any right it may have to make, any Claim against the Vendor or its Representatives based on any provision of any statute or regulation, or other provision under any applicable Law, for any act or omission concerning the Transaction, or for any statement or representation which is not expressly contained in this Agreement, except to the extent that those Claims arise out of the fraud of the Vendor or its Representatives.

10.18 **Statutory actions; Contracting out:** Without limiting clause 10.17(b), to the maximum extent permitted by applicable Law, the Purchaser agrees not to make (and shall procure that none of its Related Companies make) and waives and releases (and shall procure that each of its Related Companies waives and releases) any right it might have to make any Claim against the Vendor or any Representatives or former Representatives of the Vendor, whether in respect of the Warranties, the Tax Indemnity or otherwise (including for any act or omission concerning the Shares, any Group Company, the Business or the Transaction, or for any statement or representation about any of those things), under:

- (a) any of the following New Zealand Laws (which the parties agree to expressly contract out of to the maximum extent permitted by applicable Law):
  - (i) the Consumer Guarantees Act 1993; and
  - (ii) sections 9, 12A, 13 and 14(1) of the Fair Trading Act 1986; and
- (b) any corresponding or similar provision of any New Zealand legislation or any similar provision of any legislation in any relevant jurisdiction, or any other applicable Laws.

The parties acknowledge and agree that the waivers and undertakings in this clause 10.18 are given for the benefit of, and are intended to be enforceable against the Purchaser by, each Representative and former Representative of the Vendor in accordance with Subpart 1, Part 2 of the Contract and Commercial Law Act 2017.

10.19 **Forward-Looking Information:** The parties acknowledge that the Vendor is not under any obligation to provide the Purchaser or its Representatives with any information on the future financial performance or prospects of the Group Companies. If, prior to the date of this Agreement, the Purchaser has received opinions, estimates, projections, business plans, budget information, information relating to future macroeconomic matters, political affairs or governmental policies or practices, or other forecasts (including any financial model or in the Information Memorandum or management presentation) in respect of any Group Company or the Business ("**Forward-Looking Information**"), the Purchaser acknowledges and agrees that:

- (a) there are uncertainties inherent in Forward-Looking Information;
- (b) the Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of the Forward-Looking Information;
- (c) the Vendor is not liable under any Claim arising out of or relating to the Forward-Looking Information; and

- (d) no representation, no advice, no warranty, no undertaking, no promise and no forecast of any kind is or has been given in relation to any Forward-Looking information.

10.20 **Waiver of Claims by the Purchaser:** The Purchaser waives, and must procure that each of its Related Companies (including, after Completion, the Group Companies) waives, all rights and Claims that any of them may have against the Representatives and former Representatives of the Vendor and the Group Companies in relation to any matter arising directly or indirectly in connection with this Agreement or the Transaction or the Vendor's shareholding and investment in the Group Companies, except to the extent that such rights or Claims:

- (a) arise out of the fraud, wilful concealment or wilful misconduct of such person; or
- (b) may be enforced against an adviser who has provided a vendor due diligence report in relation to the Transaction in accordance with any reliance letter entered into between that adviser and the Purchaser.

The parties acknowledge and agree that the waivers and undertakings in this clause 10.20 are given for the benefit of each of the Representatives and former Representatives of the Vendor and the Group Companies and are intended to be enforceable against the Purchaser by any of them in accordance with the provisions of Subpart 1, Part 2 of the Contract and Commercial Law Act 2017.

10.21 **Indemnity:** To the maximum extent permitted by applicable law, the Purchaser indemnifies the Vendor and its Representatives and former Representatives, and the Representatives and former Representatives of the Group Companies, from and against any loss suffered by such person(s) as a result of any non-compliance, by the Purchaser and/or any of Related Company of the Purchaser, with clauses 10.18 and/or 10.20, provided that the Purchaser does not indemnify the Vendor or any of its Representatives or former Representatives (or any Representatives or former Representatives of any Group Company) from or against any liability for or with respect to any indirect or consequential loss, loss of opportunity, loss of goodwill, damage to reputation, indirect or consequential loss of revenue, or indirect or consequential loss of profit however arising other than loss arising naturally in the ordinary course of things from the relevant facts, matters or circumstances giving rise to the Claim, loss which is a loss of profits or any loss of revenue.

10.22 **Independent limitations:** Each qualification and limitation in this clause 10 and clauses 12 and 15 is to be construed independently of the others and is not limited by any other qualification or limitation.

10.23 **No Right of Cancellation:** Notwithstanding any statutory or common law or other rights of the Purchaser and the Vendor (which are, to the extent permitted by law, negated), neither the Purchaser nor the Vendor shall be entitled prior to or following Completion to cancel this Agreement as a result of any breach of the Warranties or other obligations of the Vendor or the Purchaser, expressed or implied in this Agreement, or otherwise in relation to the Transaction, except in accordance with clause 7.6 or clause 16.

10.24 **Privity:** Certain provisions in clause 10 are stated as being for the benefit of third parties, and will be enforceable against the parties directly by any such third party pursuant to Subpart 1, Part 2 of the Contracts and the Commercial Law Act 2017. However, clause 10 may be varied by written amendment signed by the Vendor and the Purchaser.

## 11. WARRANTY INSURANCE

11.1 **Warranty Insurance:** The Purchaser will obtain warranty insurance of no less than the W&I Policy Amount in respect of the Warranties (including the Tax Warranties) and the Tax Indemnity (the "**Warranty Insurance**"). The cost of the Warranty Insurance, including the premium and all other amounts payable to the Warranty Insurer and the broker, will be borne by the Purchaser (and, for clarity, not deducted from the Purchase Price).

11.2 **Terms:** The Purchaser must ensure that at all times the Warranty Insurance cover includes terms to the following effect:

- (a) an express acknowledgement by the Warranty Insurer that the Warranty Insurer underwrites the Warranty Insurance on the basis of the limitation of the Vendor's liability contained in this Agreement, but on the basis that the limitations in clauses 10.10(h) and 11.4 are to be ignored in the determination of whether or not the Warranty Insurance responds to the relevant claim and in the measurement of the covered loss;
- (b) an express waiver of the Warranty Insurer's rights of subrogation or contribution or rights acquired by assignment (or any similar rights) against the Vendor, and the Representatives and former Representatives of the Vendor and the Group Companies, except in the case of fraud of the Vendor (or the fraud of a Representatives or former Representatives of the Vendor or a Group Company that is attributable to the Vendor) in which case any assertion of such rights must be made only where the commission of such fraud has been accepted in writing by the Vendor or is finally determined by a final, non-appealable judgment of a court of competent jurisdiction, and then only to the extent and in respect of those rights of recovery relating directly to the fraud of the Vendor only (or the fraud of a Representative or former Representative of the Vendor or a Group Company that is attributable to the Vendor); and
- (c) an acknowledgement by the Warranty Insurer that the Vendor, the Representatives and former Representatives of the Vendor and the Group Companies, are entitled to directly enforce the waiver referred to in clause 11.2(b) pursuant to Subpart 1, Part 2 of the Contract and Commercial Law Act 2017.

11.3 **Notifications:** The Purchaser must deliver to the Vendor on the date of this Agreement:

- (a) a PDF copy of the Warranty Insurance Policy, signed (and, if applicable, stamped) by or on behalf of the Warranty Insurer (which confirms, to the satisfaction of the Vendor (acting reasonably), that the Warranty Insurance Policy is current and in full force and effect in accordance with its terms as at the date of the Agreement); and
- (b) a copy of the no claims declaration provided by the Purchaser to the Warranty Insurer on or prior to the date of this Agreement, duly executed on behalf of the Purchaser.

11.4 **Liability of Vendor:** Notwithstanding any provision to the contrary in this Agreement, and irrespective of:

- (a) whether the Purchaser complies with its obligations under this clause 11;
- (b) the terms, conditions, and exclusions of, or contained in, the Warranty Insurance Policy;

- (c) whether the conditions in the Warranty Insurance Policy are met or satisfied;
- (d) whether the Warranty Insurance is subsequently amended, varied, waived or vitiated for any reason;
- (e) whether the Warranty Insurance responds to any claim for loss or liability (including if the Warranty Insurance Policy is invalid due to the insolvency, breach or default of any person); and
- (f) whether the Purchaser is or may be unable for any reason to pursue or obtain a recovery under the Warranty Insurance Policy, including because of relevant exceptions, qualifications or exclusions or the creditworthiness of or non-performance by any person,

the Purchaser's rights in respect of any breach of the Warranties (including the Tax Warranties) and/or any claim under the Tax Indemnity are limited in recourse to the amount the Purchaser recovers (if any) under the Warranty Insurance Policy in respect of such breach or claim and the Purchaser has no rights whatsoever against the Vendor, and the Vendor will not be liable under any circumstances in relation to any breach of the Warranties (including the Tax Warranties) or any claim under the Tax Indemnity, including in respect of any amount of liability suffered or incurred by the Purchaser arising from or in connection with such breach or claim (including due to the Purchaser only obtaining Warranty Insurance cover for the W&I Policy Amount) except:

- (g) to the extent the Warranty Insurance coverage is reduced or avoided as a consequence of fraud on the part of the Vendor (or the fraud of a Representative or former Representative of the Vendor or a Group Company that is attributable to the Vendor), in which case the relevant claim must be made only against the Vendor, and then only to the extent and in respect of those rights of recovery relating directly to the fraud of the Vendor (or a Representative or former Representative of the Vendor or a Group Company that is attributable to the Vendor);
- (h) to the extent required to permit a Claim against the Warranty Insurer under the Warranty Insurance Policy, but only on the basis that the Vendor will have no liability of any sort in respect of that Claim; or
- (i) to the extent that the Purchaser may make a Claim pursuant to clause 11.5.

11.5 **Title and Capacity Warranties:** In the event of a Claim by the Purchaser under any of the Title and Capacity Warranties, the Purchaser must, to the extent that a Claim can be made by the Purchaser under the Warranty Insurance in respect of that Claim, take all actions necessary to recover under the Warranty Insurance all loss suffered in respect of that Claim (to the extent recoverable). If, despite complying with the foregoing, the loss suffered in respect of a Claim is not recovered under the Warranty Insurance (the unrecovered part of such loss, being the "**Unrecovered Loss**"), the Purchaser may make such Claim against the Vendor for that Unrecovered Loss, subject, for the avoidance of doubt, to the applicable provisions of this Agreement.

11.6 **Indemnity:** The Purchaser irrevocably and unconditionally indemnifies the Vendor for, and must pay to the Vendor an amount equal to, any loss that the Vendor may suffer or incur as a result of, or arising out of:

- (a) any failure of the Purchaser to procure the Warranty Insurance Policy in accordance with clause 11.1;

- (b) any failure by the Purchaser to comply with the requirements in clause 11.2; or
- (c) subject to clauses 11.4 and 11.5, any defect in, or inability to recover under, the Warranty Insurance Policy in respect of any Claim under the Warranties or the Tax Indemnity,

provided that the Purchaser does not indemnify the Vendor from or against any liability for or with respect to any indirect or consequential loss, loss of opportunity, loss of goodwill, damage to reputation, indirect or consequential loss of revenue, or indirect or consequential loss of profit however arising other than loss arising naturally in the ordinary course of things from the relevant facts, matters or circumstances giving rise to the Claim, loss which is a loss of profits or any loss of revenue.

11.7 **Purchaser's covenants:** The Purchaser agrees that it will:

- (a) not agree to any amendment, variation or waiver of the Warranty Insurance Policy (or do anything which has a similar effect) without the consent in writing of the Vendor (such consent not to be unreasonably withheld or delayed if the amendment, variation or waiver is expected to adversely affect the Purchaser's rights under the Warranty Insurance Policy);
- (b) not vitiate the Warranty Insurance Policy or do anything which causes any right under the Warranty Insurance Policy not to have full force and effect, provided that this will not prevent the Purchaser from complying with its obligations under the Warranty Insurance Policy;
- (c) not novate, or otherwise assign its rights under, the Warranty Insurance Policy (or do anything which has similar effect); and
- (d) comply with the terms of the Warranty Insurance Policy, to the extent that non-compliance would remove or diminish the rights of the Vendor as set out in this clause 11.

11.8 **Precedence:** If there is any conflict or inconsistency between this clause 11 and any other provisions of this Agreement, this clause 11 prevails to the extent of the conflict or inconsistency.

11.9 **Purchaser acknowledgements:** The Purchaser acknowledges the Vendor has entered into this Agreement and will complete this Agreement in reliance on the Purchaser procuring the Warranty Insurance Policy and that:

- (a) there is no deductible, excess or any other amount payable by the Vendor or the Vendor's Affiliates under the Warranty Insurance Policy; and
- (b) the Vendor has entered into this Agreement and will complete this Agreement in reliance on the Purchaser procuring the Warranty Insurance Policy.

## 12. LIABILITY

12.1 **Amounts of Claims:** Notwithstanding any other provision of this Agreement (but subject always to clause 11.4), if the Vendor becomes liable to the Purchaser in respect of the Warranties, a breach of this Agreement or any other Claim, other than:

- (a) a Purchase Price adjustment under clause 8; or

- (b) a Claim by the Purchaser relating to a breach of clause 2 (Sale and purchase of Shares); clause 3 (Conditions); clause 6.13 (Application of Insurance Proceeds); clause 7 (Completion); clause 13 (Conduct of Claims); clause 17 (Confidentiality); and/or clause 19 (General),

the Purchaser may not make a Claim unless:

- (c) the amount of that Claim (excluding legal costs) exceeds:
  - (i) in respect of any Claim, including a Claim by the Purchaser relating to a breach of clause 6.1 (Conduct of the Business during the Interim Period) and/or clause 9 (Post Completion), but excluding any Claim relating to a Title and Capacity Warranty, a Tax Warranty or a Warranty under clause 5 of Schedule 2 (a "Financial Warranty"), \$1,000,000;
  - (ii) in respect of any Claim relating to a Tax Warranty or a Financial Warranty, \$1,500,000; and
  - (iii) in respect of any Claim relating to a Title and Capacity Warranty, nil; and
- (d) in respect of any Warranty Claim other than a Claim relating to a Title and Capacity Warranty, when aggregated with all other Claims, exceeds an amount equal to 0.5% of the Enterprise Value,

in which case the Vendor will be liable only for so much of the amount as exceeds the thresholds.

For the purposes of determining the amount of any Claim (or series of Claims) under this clause 12.1, Claims of the same or similar nature and arising out of the same or similar facts, matters and circumstances will be treated as one Claim but otherwise Claims will be treated as separate Claims.

12.2 **Vendor's Total Liability:** In no event shall the Vendor's aggregate total liability for any Claims (including legal costs and expenses incurred in defending a Third Party Claim) exceed:

- (a) in respect of any and all Claims under the Title and Capacity Warranties, an aggregate amount equal to 100% (one hundred per cent) of the sum of (i) the Purchase Price (ii) the Vendor Debt Balance, and (iii) the Cash Advance Facility Balance;
- (b) in respect of any and all Claims under the Warranties and all Tax Claims other than as provided for in clause 12.2(a), in aggregate, an amount equal to the W&I Policy Amount; and
- (c) in respect of any and all other Claims, an aggregate amount equal to 20% (twenty per cent) of the sum of (i) the Purchase Price (ii) the Vendor Debt Balance, and (iii) the Cash Advance Facility Balance,

provided however that, except in the case of a Claim relating to fraud by the Vendor (or a Representative or former Representative of the Vendor or a Group Company that is attributable to the Vendor), the maximum aggregate liability of the Vendor in respect of any and all such Claims shall in any event not exceed 100% (one hundred per cent) of the sum of (i) the Purchase Price (ii) the Vendor Debt Balance, and (iii) the Cash Advance Facility Balance.

12.3 **Notice of claim by Purchaser:** Notwithstanding any other provision of this Agreement, no Claim shall be made by the Purchaser in respect of any breach of the Warranties or under or in connection with this Agreement, or otherwise in relation to the sale of the Shares to the Purchaser, unless notice of the Claim has been given to the Vendor by the Purchaser in good faith and in reasonable detail (including, so far as is reasonably practicable, the Purchaser's best estimate of the loss alleged to have been suffered or, in the case of a contingent or non-quantifiable loss, the Purchaser's best estimate as to the maximum loss that could arise from the Claim):

- (a) subject to sub-clause (b), in the case of a Warranty Claim for breach of the Title and Capacity Warranties or a Tax Claim, within seven years after Completion;
- (b) in the case of a Claim against the Vendor for breach of the Title and Capacity Warranties (in any event subject to clause 11.5) within two years after Completion; and
- (c) in the case of any other Claim not later than three years after Completion, and in any event (without limiting this clause 12.3(c)) within 40 Business Days of the Purchaser becoming aware of the relevant facts and circumstances that might reasonably be considered to give rise to the Claim.

12.4 **Proceedings:** The Vendor will have no liability in connection with a Claim that is not a Claim in respect of any Warranty if legal proceedings in respect of that Claim have not been commenced by the Purchaser (unless the Claim has previously been settled or satisfied) within 18 months of the date on which notice of that Claim was given to the Vendor in accordance with clause 12.3. For this purpose, proceedings will be deemed not to have been commenced unless they have been properly issued and validly served upon the Vendor.

### 13. CONDUCT OF CLAIMS

13.1 **Conduct of claims.** If any:

- (a) liability, whether actual or contingent, of; or
- (b) claim or proceedings of any nature against,

any of the Group Companies ("**Third Party Claim**") arises, or the Purchaser becomes aware of any events, matters or circumstances that may give rise to a Third Party Claim in respect of which the Purchaser makes, or may seek to make, any Claim against the Vendor pursuant to this Agreement or otherwise in relation to the sale of the Shares to the Purchaser, the following provisions shall apply:

- (c) the Purchaser shall, subject to clause 13.2:
  - (i) forthwith give notice of the Third Party Claim (including reasonable details of the Third Party Claim and any relevant claim notice or other documentation relating to the Third Party Claim) to the Vendor;
  - (ii) on an ongoing basis, keep the Vendor informed of all developments in relation to the Third Party Claim;
  - (iii) ensure that neither the Purchaser nor any of its Related Companies (including any Group Company) makes any payment or admission of liability in respect of the Third Party Claim, or takes any other steps which

may in any way prejudice the defence of the Third Party Claim, without the prior written consent of the Vendor (not to be unreasonably withheld or delayed); and

- (iv) at the Vendor's discretion (by notice to the Purchaser), except in relation to any Third Party Claim which has been initiated by either an Authority or any counterparty to a Significant Contract, or any Third Party Claim which the Purchaser has determined (acting reasonably) may have a material adverse impact or affect on the reputation or goodwill of the Business:
  - (aa) ensure that the Vendor may, at the option of the Vendor and at the Vendor's expense (subject to clause 13.1(e)), in the name of the Group Company concerned, in good faith, conduct all negotiations and prosecute or defend any proceedings relating to the Third Party Claim, and for that purpose the Purchaser shall ensure that the Group Companies give reasonable access during ordinary business hours to the Vendor of all such information, books and records, and give such other co-operation (including making available employees as witnesses), as the Vendor may reasonably require for the purpose; and
  - (bb) take or not take any action, in each case as the Vendor reasonably requests and at the Vendor's expense (subject to clause 13.1(e)), to negotiate, defend, settle or otherwise deal with the Third Party Claim as against the third party (and procure that each Group Company does the same) and keep the Vendor fully informed about the Purchaser's, or the relevant Group Company's, actions or proposed actions in connection with the Third Party Claim;
- (d) if the Vendor exercises its rights under clause 13.1(c)(iv)(aa) above, the Vendor shall afford the Purchaser the opportunity to consult with the Vendor on matters of significance for the goodwill of the Business, and shall keep the Purchaser reasonably informed as to the progress of the Third Party Claim; and
- (e) if the Group Company concerned is wholly or substantially successful in respect of any proceedings relating to a Third Party Claim, the costs of the negotiations and proceedings shall be borne by that Group Company.

13.2 **Loss and indemnity:** If the Vendor provides a notice to the Purchaser in accordance with clause 13.1(c)(iv) or otherwise conducts any negotiations or prosecutes, defends, settles or otherwise deals with any proceedings relating to the Third Party Claim then, subject to clause 13.1(e), the Vendor:

- (a) shall be liable to the Purchaser and the Group Companies for all loss in respect of the Third Party Claim; and
- (b) shall indemnify the Purchaser and the Group Companies for all loss reasonably suffered or incurred by the Purchaser and the Group Companies and undertake to pay to the Purchaser on demand such loss on receipt of copies of relevant invoices or other evidence of the incurrence of any loss by the Purchaser or any Group Company.

- 13.3 **Assignment by Purchaser:** If any payment has been made by the Vendor in relation to any Third Party Claim or otherwise pursuant to this Agreement, the Purchaser shall, or shall procure that the Group Company concerned, if called upon, assign to the Vendor the benefit of any debt, claim, cause of action, rights or other matter (if capable of assignment) in respect of which the payment has been made. If the rights to any claim against the third party cannot be assigned to the Vendor, the Purchaser shall, at the request of the Vendor, comply, and cause the Group Companies to comply, with all reasonable directions of the Vendor in pursuing such claim, and the Vendor shall indemnify the Purchaser and the Group Companies against any liabilities that they may incur as a result of their complying with the Vendor's directions.
- 13.4 **Tax Claim:** Nothing in this clause 13 shall apply to a Tax Claim, which will be dealt with in accordance with clause 14.
- 13.5 **Warranty Insurance Policy:** Nothing in this clause 13 requires any party to take any action, omit to take any action or to provide the responsible parties with any information that may prejudice any Claim or entitlement to make any Claim under the Warranty Insurance Policy.

#### 14. TAX INDEMNITY AND TAX RETURNS

- 14.1 **Indemnity for Tax liability:** Subject to this Agreement including clauses 10, 11, 12 and 14.3 where those clauses relate to Tax Claims, the Vendor indemnifies the Purchaser and undertakes to keep the Purchaser indemnified from and against any Tax liability suffered by any Group Company, and to pay to the Purchaser an amount equal to such Tax, to the extent that the Tax:
- (a) is wholly or partly attributable to any period ending on or before Completion; or
  - (b) wholly or partly relates to any event, or income arising (including income deemed to arise) in any period on or before Completion; or
  - (c) would not have occurred but for a breach of any of the Tax Warranties.
- 14.2 **Indemnity exclusive remedy:** The Purchaser will not be entitled to make any claim in respect of a loss that is an amount of Tax other than in accordance with the terms of, and subject to the limitations applicable to, the Tax Indemnity.
- 14.3 **Exclusions from Tax Indemnity:** The Vendor is not required to meet any claim under clause 14.1 in relation to any Tax to the extent:
- (a) the Tax has been met on or before the Completion (and an amount in respect of the Tax so met is not included as an asset in the Completion Statement) or the Tax has been provided for as a liability or otherwise been reflected or fully taken into account in the Completion Statement;
  - (b) a provision or reserve was made in the Completion Statement for the Tax;
  - (c) the Tax would not have arisen, or would have been reduced or eliminated, but for a failure or omission on the part of the Purchaser or a Group Company after Completion to make a claim or election, or to give any notice or consent, with respect to a period ending on or prior to the Completion Date, where the eligibility or requirement to make such claim or election, or to give such notice or consent, was notified by the Vendor to the Purchaser in writing on or prior to Completion or where

the Purchaser would ordinarily have made such claim or election, or given such notice or consent, in the ordinary course of business had the Purchaser owned the Group Companies at the relevant time;

- (d) any Relief is available to a Group Company in relation to any period ending before Completion that is not included as an asset in the Completion Statement, and the particular Tax liability is reduced by that Relief, or any Relief that is shown as an asset in the Completion Statement is understated and the amount of the understatement has actually been received by the relevant Group Company;
- (e) the Purchaser or a Group Company has made or will make a Tax Saving in relation to the matter giving rise to the Tax liability;
- (f) the Tax liability in one period is or will be offset by a reduced Tax liability in another period within the period for making a Claim under the Tax Indemnity;
- (g) the Tax liability would not have arisen but for:
  - (i) any change in ownership or control of a Group Company, or all or substantially all of the business or assets of a Group Company, on or after Completion (including by reference to direct or indirect voting interests or market value interests); or
  - (ii) the transaction contemplated by this Agreement;
- (h) the Tax liability arises as a result of any change in law announced after the date of this Agreement (including the enactment or amendment of any legislation or regulations; a change in the judicial or administrative interpretation of the law; or a change in the practice or policy of any Authority, and including any such change in law that has a retrospective effect) or arises as a result of any increase in the rates of Tax or variation in the method of applying or calculating the rate of Tax, in force at the date of this Agreement;
- (i) the Tax liability relates to an amount of income actually received or an asset that was not taken into account in the Completion Statement, provided that the amount of income actually received or the value of the asset is greater than the amount of Tax payable in respect of that asset;
- (j) the Tax liability arises or is increased as a result of any voluntary change in accounting principles or in the treatment of any item for Tax purposes made by the Purchaser or a Group Company after Completion, unless required by law;
- (k) the Tax arises as a result of the change (after the Completion Date) of the balance date of the Company or any of the Group Companies;
- (l) the Tax liability arises or is increased as a result of the Purchaser or a Group Company amending or requesting an amendment to any Tax return filed or other Tax assessment made prior to Completion by a Group Company with the New Zealand Inland Revenue Department or other relevant Tax Authority, unless the amendment is required by law or the Vendor consents to the amendment, such consent not to be unreasonably withheld or delayed;
- (m) in respect of a Tax liability, the Purchaser or a Group Company admitted liability or took other steps including making a payment (except to the extent required by law)

in respect of the Tax liability without the prior written consent of the Vendor (which will not be unreasonably withheld or delayed); or

- (n) the Tax liability arises as a result of the application of the thin capitalisation rules in Subpart FE of the Tax Act to a Group Company as a result of any event occurring on or after Completion.

**14.4 Timing and manner of payment:**

- (a) The Vendor shall, upon receipt of written notice from the Purchaser in accordance with clause 12.3(a) for a valid Tax Claim, pay in cleared funds to the Purchaser a sum of money equivalent to each amount of Tax required to be indemnified pursuant to the Tax Indemnity by the Vendor by the later of the date:
  - (i) three Business Days prior to the day on which the relevant Tax liability is due for payment; or
  - (ii) where the relevant Tax liability is due for payment immediately, five Business Days after the Vendor's receipt of notice from the Purchaser in accordance with clause 12.3(a); or
  - (iii) otherwise, within ten Business Days after the Vendor's receipt of notice from the Purchaser in accordance with clause 12.3(a),

and in each case, such due date shall take into account any period for which the Group Company is reasonably able to defer the payment of Tax without incurring any penalties or fines in respect of the period of deferral.

- (b) The parties agree that any payments to be made by the Vendor under the Tax Indemnity shall be by way of an adjustment to the Purchase Price.

**14.5 Tax Indemnity is for net position:** The aggregate liability of the Vendor under the Tax Indemnity is limited to the net, overall, Tax liability incurred, after taking into account any reduction in Tax or increase in Relief actually received, whether arising from any Tax Claim or not, which arises in the circumstances referred to in clause 14.1. Accordingly:

- (a) to the extent:
  - (i) the Group Company has overpaid Tax prior to Completion or overprovided for Tax or understated any Relief in the Completion Statement;
  - (ii) as a result, there is a refund of Tax or a reduction (compared to the amount provided for in the Completion Statement) in Tax payable after the Completion Date and within the time period for making a claim under the Tax Indemnity ("**Tax Refund or Reduction**"); and
  - (iii) such Tax Refund or Reduction has not already been taken into account in determining the liability of the Vendor under the Tax Indemnity,

an amount equal to the Tax Refund or Reduction (together with any interest payable by the Tax Authority (net of Tax)) will be deducted in determining the net liability of the Vendor under the Tax Indemnity.

- (b) If any Tax Refund or Reduction remains un-deducted by the last date on which the Purchaser is entitled to make a claim in respect of Tax under the Tax Indemnity, the

Purchaser will repay to the Vendor (by way of an adjustment to the Purchase Price) an amount equal to the lesser of:

- (i) the amount of the un-deducted Tax Refund or Reduction, together with any interest payable by the Tax Authority (net of Tax); and
- (ii) the total amounts paid by the Vendor under the Tax Indemnity (in net terms, after taking into account any amounts repaid to the Vendor under clause 14.6(e) and 14.10).

**14.6 Conduct of Tax dispute:**

- (a) If the Purchaser or a Group Company receives a Tax Notice that may give rise to a Tax Claim, the Purchaser will notify the Vendor of such receipt as soon as reasonably practicable and provide the Vendor with a copy of any documentation issued by a Tax Authority in relation to such Tax Notice.
- (b) The Purchaser will ensure that no payment (except to the extent required by law) or admission of liability in respect of the relevant Tax liability is made and no other steps are taken which may materially prejudice any challenge to or defence of that Tax liability without the prior written consent of the Vendor, which consent shall not be unreasonably withheld or delayed.
- (c) The Vendor shall be entitled to take such steps in the name of the Group Company as they consider are appropriate (acting reasonably) in order to dispute the Tax liability, at its cost and subject to first agreeing in writing that the Tax Indemnity applies to the matter.
- (d) The Vendor must consult with the Purchaser in relation to the conduct and progress of the dispute procedures and court proceedings, keep the Purchaser informed of the progress of such matters, and provide the Purchaser with copies of relevant documents (including correspondence with any Tax Authority) in connection with the same. The Purchaser shall procure that the Group Companies provide all reasonable assistance requested by the Vendor in relation to the conduct of any dispute.
- (e) If the dispute, challenge or appeal is ultimately successful in whole or in part and the Purchaser or the Group Company receives any Tax credit, refund or reimbursement of costs which have not been previously included as an asset or taken into account in reducing any provision for Tax in the Completion Statement, the Purchaser will promptly pay to the Vendor an amount equal to the amount of that Tax credit or refund which the Group Company has received from any Tax Authority in respect of the Taxation credit or refund and an amount equal to such costs net of any Tax payable by the Purchaser or Group Company in respect of such amount.
- (f) The Vendor's rights under this clause 14.6 apply only to the extent they are not inconsistent with the insurers' rights under the Warranty Insurance.

**14.7 Tax returns:**

- (a) The Purchaser shall arrange for each Group Company to prepare, sign and file Tax returns and tax computations (including preparation and filing of any part-year financial statements and other notices or elections in relation to the utilisation or grouping of tax losses under Part I of the Tax Act, as applicable) for all relevant Tax

periods ending prior to the Completion Date, to the extent that the same shall not have been prepared before the Completion Date, and for all relevant Tax periods for the current period at the Completion Date (together, the "**Relevant Returns**").

- (b) The Relevant Returns shall be prepared and reviewed by an appropriately qualified tax advisor and in a manner that is consistent with the prior practice adopted by each Group Company in calculating net income and in filing tax returns.
- (c) The parties shall procure that each Group Company shall prepare and disclose to each other party the content of the Relevant Returns at least two months prior to the due date for filing of the Relevant Returns in respect of income tax returns, and otherwise at least two weeks prior to filing the Relevant Return. The parties shall use best endeavours to agree the content of the Relevant Returns at least one month prior to the due date for filing the Relevant Returns in respect of income tax returns, and otherwise at least one week prior to filing the Relevant Return. Where there is any disagreement between the parties as to the content of the Relevant Returns, the Relevant Returns and the content thereof will be as determined by the Vendor for the period prior to Completion and by the Purchaser for the period after Completion in accordance with the principles in clause 14.7(b).

#### **14.8 Information required for Tax audits:**

- (a) If, at any time after Completion, the Vendor reasonably requires information relating to a Group Company (including, without limitation, accounting information or company records) necessary for the purposes of completing any Tax return or required filing of the Vendor or a Related Company of the Vendor, the Purchaser shall, upon written request from any Vendor setting out the details of the required information, provide or procure the provision of such information to the Vendor as soon as reasonably practicable with a view to enabling the Vendor to file such Tax return or filing within the required timeframe.
- (b) Each party will, to the extent that it is within its power or control, provide each the other party with all such assistance that the other party reasonably requires in connection with any Tax audit or investigation of a Group Company (or a group of entities for Tax purposes of which the Group Company forms or has formed part) after the Completion Date relating wholly or partly to a period before the Completion Date.

#### **14.9 Expenses:**

- (a) If the Vendor requires the Purchaser or a Group Company to undertake any of the matters outlined in clause 14.6 or clause 14.8, the Vendor will reimburse the Purchaser or the Group Company all reasonable out of pocket costs and expenses properly incurred by the Purchaser or the Group Company in undertaking such matters promptly upon the Vendor receiving reasonable documentation evidencing such costs and expenses.
- (b) The Vendor will reimburse the Purchaser or the Group Company for all reasonable out of pocket costs and expenses properly incurred by the Purchaser or the Group Company to the extent such costs are not referred to in clause 14.9(a) and such costs would not have arisen but for the matters giving rise to a successful Tax Claim.
- (c) If the Purchaser requires the Vendor to undertake any of the matters outlined in clause 14.8, the Purchaser will reimburse the Vendor for all reasonable out of pocket

costs and expenses properly incurred by the Vendor in undertaking such matters promptly upon the Purchaser receiving reasonable documentation evidencing such costs and expenses.

14.10 **Recovery from third parties:** If the Purchaser or a Group Company recovers from a third party an amount on account of or in connection with Tax in relation to the same matter as any payment actually made by the Vendor to the Purchaser under the Tax Indemnity, then the Purchaser shall within ten Business Days pay or procure the payment of the amount so received to the Vendor net of any Tax payable by the Purchaser or a Group Company in respect of such amount.

14.11 **Joint Ventures:** In the case of a Group Company that is a Joint Venture, and notwithstanding any other provision of this clause 14, the amount that is payable by the Vendor pursuant to clause 14.1 or clause 14.3 (as relevant) shall be equal to:

$$\text{Total Liability} * 50\%$$

where **Total Liability** is the amount that (but for this clause 14.11) would be payable by the Vendor in respect of a relevant Tax liability of the Group Company pursuant to clause 14.1 and clause 14.3.

## 15. PURCHASER WARRANTIES

15.1 **Warranties:** In consideration of the Vendor entering into this Agreement, the Purchaser gives the Purchaser Warranties to the Vendor on the date of this Agreement and shall be deemed to repeat the Purchaser Warranties on Completion by reference to the facts and circumstances then existing, except that a Warranty expressed to be given as at a particular date is given only at that date (including where the Warranty refers to being given as at the date of this Agreement or as at Completion).

15.2 **Separate and independent:** Each of the Purchaser Warranties is separate and independent and, except as expressly provided, shall not be limited by reference to any other Purchaser Warranty.

15.3 **Purchaser Warranties for Vendor's benefit:** The Purchaser Warranties are given for the benefit of the Vendor and may not be relied upon by any other person.

15.4 **Increase of Purchase Price:** Any monetary compensation or other amount received by the Vendor as a result of any breach by the Purchaser of any Purchaser Warranty or any other obligation, or pursuant to an indemnity given, under this Agreement (including an amount paid to the Vendor under clauses 14.6 or 14.9 of this Agreement) shall be an increase of the Purchase Price.

## 16. CANCELLATION RIGHTS

16.1 **General cancellation rights:**

- (a) This Agreement may be cancelled:
  - (i) by written notice given by the Vendor or the Purchaser (a "**Cancelling Party**") if any of the Conditions are not satisfied by the Condition End Date, provided that the Cancelling Party is not in breach of a material obligation under this Agreement, including under clause 3; or

- (ii) by the Non-Defaulting Party in accordance with clause 7.6.
  - (b) Subject to clause 16.2, if this Agreement is cancelled it will be of no further force or effect, and all parties shall be released from their obligations under this Agreement.
- 16.2 **Consequences of cancellation:** If this Agreement is cancelled pursuant to this clause 16:
- (a) this clause 16, and clauses 1, 6.9, 17, 18 and 19, together with such other provisions of this Agreement which are incidental to, and required in order to give effect to, those clauses, shall remain in full force and effect; and
  - (b) accrued rights and remedies of a party are not affected, including in respect of any failure by either party to comply with clause 3.2.

## 17. CONFIDENTIALITY

17.1 **Confidentiality Obligation:** Subject to clause 17.2, each party shall keep confidential, and make no disclosure of:

- (a) the existence and contents of this Agreement; and
  - (b) all information obtained from the other party or its Representatives under this Agreement or in the course of negotiations in respect of this Agreement,
- (together "**Information**").

17.2 **Exceptions:** Information may be disclosed by a party if:

- (a) disclosure is required by applicable Law, or is necessary to comply with the listing rules of any recognised stock exchange, including for the purposes of seeking any approval contemplated by clause 3.1(b);
- (b) disclosure is necessary to obtain the benefits of, and fulfil obligations under, this Agreement;
- (c) that Information already is, or becomes, public knowledge other than as a result of a breach of clause 17.1 or the NDA by that party;
- (d) disclosure is made to a bona fide financier, potential financier or investor of that party (or any Affiliate of that party), or to a bona fide purchaser or potential purchaser of, or investor in, all or part of the business of, or the shares in, that party (or any Affiliate of that party), so long as the person to which disclosure is to be made has undertaken to the party a corresponding obligation of confidentiality to that undertaken by the party under this clause;
- (e) disclosure is made to an officer, director, employee, professional adviser, or auditor for that party or its Related Companies who is bound by confidentiality obligations consistent with those set out in this clause; or
- (f) the Information relates to a Group Company (except to the extent that such information relates solely to the Vendor or its business).

17.3 **Prior notification and consultation:** If any party is required to make a disclosure or announcement as contemplated under clause 17.2(a), it shall, before doing so, to the extent legally permitted:

- (a) give to the other party the maximum notice reasonably practicable in the circumstances, specifying the requirement under which it is required to disclose Information, and the precise Information which it is required to disclose;
- (b) comply with all reasonable directions by the other party to contest, resist or seek relief from the requirement to disclose Information, to the extent practical in the circumstances;
- (c) only disclose information to the extent legally required; and
- (d) to the extent reasonably practicable, consult in good faith with the other party with a view to agreeing upon the form and timing of the disclosure or announcement, including any information in relation to the other party or its Affiliates.

## 18. NOTICES

18.1 **Notice:** Every notice or other communication ("**Notice**") for the purposes of this Agreement shall:

- (a) be in writing; and
- (b) be delivered in accordance with clause 18.2.

18.2 **Method of service:** A Notice may be given by:

- (a) delivery to the physical address of the relevant party, together with an email to the email address of the relevant party; or
- (b) posting it by pre-paid post to the postal address of the relevant party, together with an email to the email address of the relevant party; or
- (c) sending it by email to the email address of the relevant party,

provided that any Notice given by any means other than email must also be given by email.

18.3 **Time of receipt:** A Notice given in the manner:

- (a) specified in clause 18.2(a) is deemed received at the time of delivery;
- (b) specified in clause 18.2(b) is deemed received five Business Days after (but exclusive of) the date of posting if posted within New Zealand, and is deemed received ten Business Days after (but exclusive of) the date of posting if posted internationally;
- (c) specified in clause 18.2(c) is deemed received:
  - (i) if sent between the hours of 9am and 5pm (local time) on a local Business Day, at the time of transmission; or

- (ii) if subclause (i) does not apply, at 9am (local time) on the local business day most immediately after the time of sending,

unless the sender receives a delivery failure notification, or an "out-of-office" reply or equivalent, indicating that the email has not been delivered to the recipient, in which case Notice has not been given for the purpose of this Agreement.

For this purpose "local time" is the time in the place of receipt of the Notice.

18.4 **Addresses:** For the purposes of this clause the address details of each party are:

- (a) the details set out below; or
- (b) such other details as any party may notify to the others by Notice given in accordance with this clause.

**The Purchaser:**

Physical address: Attention: Marc Benscher, Level 5, Tower 3,  
International Towers, 300 Barangaroo Avenue,  
Sydney, NSW, 2000, Australia

Postal address: Attention: Marc Benscher, Level 5, Tower 3,  
International Towers, 300 Barangaroo Avenue,  
Sydney, NSW, 2000, Australia

Email address:

**The Vendor:**

Physical address: Building 2, Xindadu, 21 Chegongzhuang Street,  
Xicheng District, Beijing, China

Postal address: Building 2, Xindadu, 21 Chegongzhuang Street,  
Xicheng District, Beijing, China

Email address:

**19. GENERAL**

19.1 **Time of the essence:** Time is of the essence in relation to the parties' respective obligations under clauses 3, 5.1, and 7.4 and no extension of time for the making of any payment or the doing of any acts required by those clauses will be deemed to be a waiver, or modification, of or affect the application of this clause 19.1.

19.2 **Purchaser to provide information after Completion:** Following Completion, the Purchaser shall permit the Vendor such access to the records of the Group Companies as shall be reasonably necessary to enable the Vendor to complete financial statements and taxation returns and to comply with other statutory obligations.

19.3 **No partnership or joint venture:** This Agreement does not constitute, and nothing contained in this Agreement will be deemed or construed to constitute, any party as partner, agent or representative of any other party. This Agreement will not give and will not be construed as giving to any party any of the liabilities arising from a partnership, agency or representative

relationship. This Agreement does not create or constitute a joint venture arrangement between the parties.

19.4 **Amendments, waivers:** No:

- (a) amendment to this Agreement;
- (b) agreement between the parties for the purpose of, or referred to in, this Agreement; or
- (c) request, consent, waiver or approval for the purposes of, or referred to in, this Agreement,

is effective unless it is in writing and signed (if sub-clauses (a) or (b) apply) by the parties or (if sub-clause (c) applies) the party making the request or required to give the consent, waiver or approval. For the purposes of section 15 of the Contract and Commercial Law Act 2017, no agreement of any person who is not a party to this Agreement is required for any such amendment.

19.5 **Costs:** Each party shall pay its own costs and expenses in respect of negotiating, preparing, executing and performing this Agreement.

19.6 **Counterparts:** This Agreement may be executed in any number of counterparts (including scanned or email copies) and provided that every party has executed a counterpart, the counterparts together will constitute a binding and enforceable agreement between the parties.

19.7 **Electronic signatures:** Each party agrees that this Agreement, and any other documents to be delivered in connection with this Agreement, may be electronically signed, including through using the DocuSign platform.

19.8 **Entire agreement:** This Agreement constitutes the entire agreement between the parties relating to the subject matter of this Agreement and supersede and cancel any previous agreement, understanding or arrangement, whether written or oral.

19.9 **Further assurance:** Each party shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this Agreement.

19.10 **Governing law:** This Agreement is governed by the laws of New Zealand (without giving effect to the principles of conflicts of law).

19.11 **Arbitration and sovereign immunity:**

- (a) The parties agree that any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, must be referred to and finally resolved by arbitration in Singapore at Singapore International Arbitration Centre ("**SIAC**"), in accordance with the arbitration rules of SIAC for the time being in force, which rules are deemed to be incorporated by reference in this clause. The language of the arbitration will be English.
- (b) The Purchaser warrants that it is not entitled to claim sovereign or other general immunity for itself or any of its assets. To the extent that the Purchaser has or hereafter may acquire, or be entitled to claim for itself or its assets, any immunity from jurisdiction of any court or from any legal process with respect to itself or its assets, it irrevocably agrees not to claim and irrevocably waives such immunity in

respect of its obligations under this Agreement and all other documents to be executed and delivered in connection with this Agreement and the transactions contemplated by them. Without limiting the generality of the foregoing, the Purchaser agrees and acknowledges that the waiver set out in this clause 19.11 will be effective to the fullest extent permitted under applicable law.

- 19.12 **Assignment:** Neither party shall directly or indirectly assign, transfer or otherwise dispose of any of its rights or interests in, or any of its liabilities under or in connection with, this Agreement ("**Interest**"), except with the prior written consent of the other party, which consent may be withheld in the absolute discretion of the other party. Nothing in this clause 19.12 prevents a party from mortgaging, pledging, assigning or otherwise encumbering (including assigning by way of security) ("**Encumbrance**") all or part of its Interest for the purpose of securing debt financing for the Transaction provided that:
- (a) the party remains liable for all obligations relating to its Interest, and bears all liabilities relating to the Encumbrance (including indemnifying all other parties against any related Claims); and
  - (b) the liability of the Vendor and its Representatives is not increased as a result of the granting of the Encumbrance (and, if applicable, the exercise of any security under the Encumbrance).
- 19.13 **Rights and powers cumulative:** The rights, powers and remedies provided in this Agreement are cumulative with, and are not exclusive of, any rights, powers or remedies at Law or in equity unless specifically stated otherwise.
- 19.14 **Severance:** If any provision of this Agreement is or becomes unenforceable, illegal or invalid for any reason:
- (a) where the offending provision can be read down so as to give it a valid and enforceable operation of a partial nature, it must be read down to the minimum extent necessary to achieve that result; and
  - (b) it shall be deemed to be severed from this Agreement without affecting the validity of the remainder of this Agreement and shall not affect the enforceability, legality, validity or application of any other provision of this Agreement.
- 19.15 **No merger:** The provisions of this Agreement and anything done under, or in connection with, this Agreement shall not operate as a merger of any of the rights, powers or remedies of either party under, or in connection with, this Agreement or at Law, and those rights, powers and remedies shall survive and continue in full force and effect to the extent that they are unfulfilled.
- 19.16 **Waiver:** No failure or forbearance by a party to exercise, or delay in exercising, (in whole or in part) any right, power or remedy under, or in connection with, this Agreement shall operate as a waiver of that right, power or remedy. A waiver of any breach of any provision of this Agreement shall not be effective unless that waiver is in writing and is signed by the party against whom that waiver is claimed. A single or partial exercise of the power or right does not preclude a further exercise of it or the exercise of any other power or right under this Agreement. A waiver of any breach shall not be, or be deemed to be, a waiver of any other or subsequent breach.

**SIGNATURES**

**Vendor**

**BCG NZ Investment Holding Limited by:**

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Signature of director/authorised  
signatory

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Name of director/authorised signatory

**Purchaser**

**Tui Bidco Limited by:**

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Signature of director/authorised  
signatory

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Name of director/authorised signatory

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Signature of director/authorised signatory

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Name of director/authorised signatory