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CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

CONNECTED TRANSACTION — FORMATION OF JOINT VENTURE COMPANY

On 15 March 2019, Beijing Capital Investment and Beijing Capital jointly won the Tender, pursuant to which the Parties or their designated entity shall exclusively manage and operate the Xiong'an Project.

On 17 May 2019, Beijing Capital Investment entered into the Joint Venture Agreement with Beijing Capital in respect of the proposed establishment of Xiong'an Capital. According to the Joint Venture Agreement, Beijing Capital Investment agreed to contribute RMB35,471,100 in cash, accounting for 49% of the equity interest in Xiong'an Capital. Xiong'an Capital will be responsible for operating the Xiong'an Project.

As at the date of this announcement, Beijing Capital Investment is a subsidiary of the Company. Beijing Capital is a substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. The entering into of the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14A.06 of the Listing rules calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

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THE JOINT VENTURE AGREEMENT

A summary of the main terms of the Joint Venture Agreement are summarized as follows:

1. Date

17 May 2019

2. Investors

- (1) Beijing Capital Investment;
- (2) Beijing Capital; and

3. Contribution

The registered capital of Xiong'an Capital will be RMB72.39 million. The capital contribution agreed by the Parties is as follows:

- (1) Beijing Capital Investment will invest RMB35,471,100 in cash, accounting for 49% of the registered capital; and
- (2) Beijing Capital will invest RMB36,918,900 in cash, accounting for 51% of the registered capital.

The each of the Parties' respective capital contributions to the registered capital of Xiong'an Capital shall be respectively contributed by the Parties within three months from the date of the Joint Venture Agreement.

4. Management of Xiong'an Capital

Shareholders of Xiong'an Capital will exercise their voting rights at its general meeting in accordance with the proportion of their respective capital contributions. Significant matters of Xiong'an Capital, such as its profit distribution plan and compensation plan, modification of the articles of association, increase or decrease

of registered capital, and merger, division, dissolution, liquidation or change of form of the company, shall require the approval of the shareholders of Xiong'an Capital representing more than two-thirds of voting rights of Xiong'an Capital at the general meeting of Xiong'an Capital; other matters of Xiong'an Capital shall require the approval of the shareholders of Xiong'an Capital representing more than one half of voting rights in Xiong'an Capital.

5. Composition of the Board

The board of Xiong'an Capital consists of three directors, of which two directors are to be appointed by Beijing Capital; and one director is to be appointed by Beijing Capital Investment. The chairman (legal representative) of Xiong'an Capital is to be a director appointed by Beijing Capital; and the vice chairman of Xiong'an Capital is to be a director appointed by Beijing Capital Investment. All matters of Xiong'an Capital shall require the unanimous approval of the board of Xiong'an Capital at the board meeting of Xiong'an Capital.

6. Scope of Business and Operating Period

The business scope of Xiong'an Capital is expected to include sewage treatment engineering, pipe network, pump station construction and operation management, construction and installation engineering services, sludge disposal and utilization, sewage treatment facilities and equipment installation; solid waste, domestic garbage collection and transshipment; recycling of waste materials; sales of sanitation equipment and facilities; cleaning services; and environmental sanitation technical consulting services, subject to approval of the abovementioned business scope by the SAIC. Xiong'an Capital's operating period is expected to be 20 years.

REASONS AND BENEFITS OF THE SIGNING OF THE JOINT VENTURE AGREEMENT

The signing of the Joint Venture Agreement will help the Company and Beijing Capital to leverage their respective technologies and experience in their main business, and at the same time obtain investment income, in line with the Company's business development strategy of continuous improvement of relevant industry chains.

The Joint Venture Agreement is entered into after arm's length negotiation on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF HONG KONG LISTING RULES

As at the date of this announcement, Beijing Capital Investment is a subsidiary of the Company. Beijing Capital is a substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. The entering into of the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14A.06 of the Listing rules calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On the date of the Board meeting for the approval of the Joint Venture Agreement, the Director, Ms. Zhang Meng serving as a director in Beijing Capital and in a senior position in Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司) and the Director, Ms. Hao Chunmei serving in a senior position in Beijing Capital, have abstained from voting on the Board resolution approving the signing of the Joint Venture Agreement in accordance with the laws of the Cayman Islands and the articles of association of the Company. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the transactions under the Joint Venture Agreement.

GENERAL INFORMATION

Information of the Company

The Company is an investment holdings company. The Group is mainly engaged in waste treatment technique and services, and is focused on the technical development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment equipment, especially for the project of translating waste into energy source.

Information of Beijing Capital

Beijing Capital is a limited liability company established in the PRC, with its shares listed on Shanghai Stock Exchange (stock code: 600008). Beijing Capital and its subsidiaries are mainly engaged in the investment and management of environmental foundation facilities, major business in water constructions, solid waste treatment and environmental management.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Beijing Capital”	Beijing Capital Co., Limited (北京首創股份有限公司), a limited liability company established in the PRC, with its shares listed on Shanghai Stock Exchange (stock code: 600008)
“Beijing Capital Investment”	Beijing Capital Environment Investment Limited (北京首創環境投資有限公司), a limited liability company established in the PRC, and a wholly owned subsidiary of the Company
“Board”	the board of Directors
“Director(s)”	Director(s) of the Company
“Hong Kong”	Hong Kong Special Administrative Region
“Joint Venture Agreement”	Joint Venture Agreement in relation to the incorporation of Xiong’an Capital, entered by the Parties on 17 May 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, Beijing Capital and Beijing Capital Investment
“PRC”	the People’s Republic of China, and, for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	the lawful currency of the PRC
“SAIC”	the State Administration for Industry and Commerce
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tender”	the tender for the Xiong’an Project jointly submitted by the Parties to Housing and Urban-Rural Construction Department of Anxin County (安新縣住房和城鄉建設局) on 7 March 2019
“the Company”	Capital Environment Holdings Limited (首創環境控股有限公司) (stock code: 3989), a company incorporated in Cayman Islands with limited liability, with its shares listed on the Main Board of the Stock Exchange

“the Group”	the Company and its subsidiaries from time to time
“Transaction”	the entering into of the Joint Venture Agreement and the transactions contemplated thereunder
“Xiong’an Capital”	Hebei Xiong’an Capital Environment Integrated Management Limited (河北雄安首創環境綜合治理有限公司) (company name subject to approval from the SAIC), a company to be established in the PRC in accordance with Joint Venture Agreement with limited liability
“Xiong’an Project”	Environmental issues, such as sewage, wastes, toilets in Baiyangdian Village (白洋澱農村) in Xiong’an District of the PRC to be unified for the integrated system of management project phrase I

By order of the Board of
Capital Environment Holdings Limited
Zhang Meng
Chairlady

Hong Kong, 17 May 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Zhang Meng, Mr. Cao Guoxian, Mr. Cheng Jialin and 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.