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## **CAPITAL ENVIRONMENT HOLDINGS LIMITED**

**首創環境控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 03989)**

### **CONNECTED TRANSACTIONS IN RELATION TO AI RESEARCH AND DEVELOPMENT PROJECTS**

#### **BACKGROUND**

The Board is pleased to announce on 12 February 2026 (after trading hours),

- (i) Capital Technology First Branch Company (a subsidiary of the Company), as the leading unit, together with Alibaba Cloud Company, Nanjing Fuli Company, BUCEA, Huizhou Guanghui Company (a subsidiary of the Company) and Xinxiang Capital Company (a subsidiary of the Company), as the participating units, entered into Agreement 1 with Capital Eco Group (a controlling shareholder of the Company), pursuant to which, the Group Companies and Non-Group Companies shall jointly participate in the research and development project commissioned by Capital Eco Group in relation to the development of an intelligent automation platform for waste storage bunker and garbage crane and an AI powered optimisation control platform for waste incineration process; and
- (ii) Collaborative Innovation Technology Company (an associate of Capital Eco Group), as the leading unit, and Capital Environmental Sanitation Company (a subsidiary of the Company), as the participating unit, entered into Agreement 2 with Capital Eco Group, pursuant to which, Collaborative Innovation Technology Company and Capital Environmental Sanitation Company shall jointly participate in the research and development project commissioned by Capital Eco Group in relation to the application verification of unmanned sweeping vehicles and the optimisation of operations using AI-driven strategies.

The total consideration to be received by the Group Companies under Agreement 1 shall be RMB3,606,000.

The total consideration to be received by Capital Environmental Sanitation Company under Agreement 2 shall be RMB560,000.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Capital Eco Group is deemed to have interest in approximately 45.11% of the issued Shares and is therefore a controlling shareholder and a connected person of the Company. Collaborative Innovation Technology Company is an associate of Capital Eco Group and therefore a connected person of the Company. Accordingly, the entering into of Agreement 1 and Agreement 2 constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. As Agreement 1 and Agreement 2 are both entered into with Capital Eco Group and/or associate of Capital Eco Group and such transactions are similar in nature, the transactions under Agreement 1 and Agreement 2 shall be aggregated.

Since one or more of the applicable percentage ratios of the transactions contemplated under Agreement 1 and Agreement 2 exceeds 0.1% but is less than 5%, the transactions contemplated under Agreement 1 and Agreement 2 are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **AGREEMENT 1 AND AGREEMENT 2**

The Board is pleased to announce on 12 February 2026 (after trading hours),

- (i) Capital Technology First Branch Company (a subsidiary of the Company), as the leading unit, together with Alibaba Cloud Company, Nanjing Fuli Company, BUCEA, Huizhou Guanghui Company (a subsidiary of the Company) and Xinxiang Capital Company (a subsidiary of the Company), as the participating units, entered into Agreement 1 with Capital Eco Group (a controlling shareholder of the Company), pursuant to which, the Group Companies and Non-Group Companies shall jointly participate in the research and development project commissioned by Capital Eco Group in relation to the development of an intelligent automation platform for waste storage bunker and garbage crane and an AI powered optimisation control platform for waste incineration process; and

(ii) Collaborative Innovation Technology Company (an associate of Capital Eco Group), as the leading unit, and Capital Environmental Sanitation Company (a subsidiary of the Company), as the participating unit, entered into Agreement 2 with Capital Eco Group, pursuant to which, Collaborative Innovation Technology Company and Capital Environmental Sanitation Company shall jointly participate in the research and development project commissioned by Capital Eco Group in relation to the application verification of unmanned sweeping vehicles and the optimisation of operations using AI-driven strategies.

The total consideration to be received by the Group Companies under Agreement 1 shall be RMB3,606,000.

The total consideration to be received by Capital Environmental Sanitation Company under Agreement 2 shall be RMB560,000.

The principal terms of Agreement 1 and Agreement 2 are set out below:

### **Agreement 1**

Date : 12 February 2026

Parties : (i) **Commissioning party**  
Capital Eco Group  
(ii) **Leading unit**  
Capital Technology First Branch Company (a subsidiary of the Company)

#### **Participating units**

Alibaba Cloud Company

Nanjing Fuli Company

BUCEA

Huizhou Guanghui Company (a subsidiary of the Company)

Xinxiang Capital Company (a subsidiary of the Company)

Consideration : RMB9,650,000, of which Capital Technology First Branch Company, Alibaba Cloud Company, Nanjing Fuli Company, BUCEA, Huizhou Guanghui Company, and Xinxiang Capital Company shall receive RMB1,778,966, RMB4,174,000, RMB1,670,000, RMB200,000, RMB745,404 and RMB1,081,630, respectively.

- Payment terms : Each of the Group Companies and Non-Group Companies shall receive
- (i) 50% of their respective consideration within 10 business days after the date of signing of Agreement 1;
  - (ii) 40% of their respective consideration after the submission of the interim progress report and receipt of approval from Capital Eco Group; and
  - (iii) 10% of their respective consideration after the submission of all deliverables and acceptance by Capital Eco Group.
- Term : Agreement 1 shall take effect from the date of the execution of Agreement 1 to 30 April 2027

### **Subject Matter**

The Group Companies and Non-Group Companies shall jointly cooperate in the research and development project commissioned by Capital Eco Group. The project aims at developing an AI powered intelligent and efficient operation system for waste incineration plants. The purpose of the project is to develop an intelligent automation platform for waste storage bunker and garbage crane and an AI powered optimisation control platform for waste incineration process, using advanced algorithms and large industrial models.

Capital Technology First Branch Company, as the leading unit, is responsible for the overall organisation, coordination of all participating units and management of the project, as well as for the improvement and intelligent upgrading of the mechanical structure of the blockage-clearing / dredging equipment at the waste incineration project.

Huizhou Guanghui Company and Xinxiang Capital Company are responsible for carrying out on-site implementation, practical testing and demonstration of the intelligent automation platform for waste storage bunker and garbage crane and AI powered optimisation control platform at the waste incineration projects.

The other Non-Group Companies are responsible for one or more of the following (as applicable):

- developing an intelligent automation platform for waste storage bunker and garbage crane;
- developing an AI powered optimisation control platform for waste incineration process using advanced AI algorithms and large industrial models;
- supporting the intelligent upgrade of blockage-clearing / dredging equipment;
- integrating the new systems;
- carrying out demonstration and testing of the technologies at the incineration projects;
- providing technical consulting services, organising and analysing test data and preparing the relevant project reports.

All new intellectual property rights in relation to the research outcomes in Agreement 1 shall vest with Capital Eco Group.

### **Pricing basis**

The consideration payable under Agreement 1 represents the successful bid price submitted jointly by the Group Companies and Non-Group Companies who formed a consortium (“Consortium 1”) through an open tender process. The bids were evaluated based on price, technical knowledge, project timeline, bidder experience and overall value. Consortium 1 was selected as the successful bidder since it offered competitive pricing among all other bidders and the members of Consortium 1 have extensive experience in providing waste incineration automation, solid waste treatment technology solutions, or AI and big data technical support services.

The overall contract price was determined by the members of Consortium 1 on a cost-plus basis, reflecting the estimated direct and indirect project costs incurred by each company, plus a reasonable profit margin.

The management of the Group has determined its portion of the contract price having regard to the estimated costs for, among others, labour costs, equipment and material costs, expert consultation fees, travel and other indirect expenses, benchmarked against market price, pricing from historical comparable projects, and reasonable margins in technology development and AI application projects commissioned through open tenders.

## Agreement 2

Date	:	12 February 2026
Parties	:	<p>(i) <b>Commissioning party</b> Capital Eco Group</p> <p>(ii) <b>Leading unit</b> Collaborative Innovation Technology Company (an associate of Capital Eco Group)</p> <p><b>Participating unit</b> Capital Environmental Sanitation Company (a subsidiary of the Company)</p>
Consideration	:	RMB5,690,000, of which Collaborative Innovation Technology Company and Capital Environmental Sanitation Company shall receive RMB5,130,000 and RMB560,000, respectively.
Payment terms	:	<p>Collaborative Innovation Technology Company and Capital Environmental Sanitation Company shall receive their respective consideration as follows:</p> <p>(i) 60% of the total consideration to Collaborative Innovation Technology Company and 50% of the total consideration to Capital Environmental Sanitation Company shall be paid within 10 business days after the date of signing of Agreement 2;</p> <p>(ii) 30% of the total consideration to Collaborative Innovation Technology Company and 40% of the total consideration to Capital Environmental Sanitation Company shall be paid after the submission of the interim progress report and receipt of approval from Capital Eco Group; and</p> <p>(iii) 10% of the total consideration to Collaborative Innovation Technology Company and 10% of the total consideration to Capital Environmental Sanitation Company shall be paid after the submission of all final deliverables and acceptance/approval by Capital Eco Group.</p>
Term	:	15 February 2026 to 15 February 2028

## **Subject Matter**

Collaborative Innovation Technology Company and Capital Environmental Sanitation Company shall jointly cooperate in the research and development project commissioned by Capital Eco Group. The project aims at testing and verifying unmanned sweeping vehicles and optimising operations using AI-driven strategies. Using Huashan District in Ma'an Shan City as the pilot area, the project aims to establish standardised unmanned sweeping operation scenarios and evaluation system, test and develop economically viable new modes of human-machine collaborative operations, collect operational data and develop AI task assist and to create a replicable and scalable intelligent sanitation solution that can be promoted in other district and cities in the future.

Collaborative Innovation Technology Company, as the leading unit, is responsible for the overall management of the project, including defining the research direction and goals, planning and coordinating project progress, managing risks, overseeing the final research outcomes, and organising the project review and acceptance procedures.

Capital Environmental Sanitation Company is responsible for carrying out specific research tasks and promoting the application of the research outcomes.

All intellectual property rights in relation to the research outcomes in Agreement 2 shall vest with Capital Eco Group.

## **Pricing basis**

The consideration payable under Agreement 2 represents the successful bid price submitted jointly by Collaborative Innovation Technology Company and Capital Environmental Sanitation Company who formed a consortium ("Consortium 2") through an open tender process. The bids were evaluated based on price, technical knowledge, project timeline, bidder experience and overall value. Consortium 2 was selected as the successful bidder since it offered the most competitive pricing among all other bidders and the members of Consortium 2 have technical research and development capabilities or expertise in providing waste treatment services.

The overall contract price was determined by Collaborative Innovation Technology Company and Capital Environmental Sanitation Company on a cost-plus basis, reflecting the estimated direct and indirect project costs incurred by each company, plus a reasonable profit margin.

The management of the Group has determined its portion of the contract price having regard to the estimated costs for, among others, labour costs, travel expenses, fuel and power costs and other indirect expenses including project deployment, platform integration costs, benchmarked against market price, pricing from historical comparable projects, and reasonable margins in technology development and AI application projects commissioned through open tenders.

## **REASONS FOR AND BENEFITS OF ENTERING INTO AGREEMENT 1 AND AGREEMENT 2**

Agreement 1 and Agreement 2 form part of the Group's ongoing efforts to strengthen its research and development capabilities in the areas of AI application and intelligent operation technologies within the environmental services sector. The traditional sanitation and waste incineration operations have faced challenges including low efficiency, insufficient technical innovation, and uneven resource allocation. With breakthroughs in AI technology accelerating the intelligent transformation of traditional industries, the environmental services sector is shifting towards smart operations.

The projects under Agreement 1 and Agreement 2 will enable the Group to further enhance its technical expertise in AI-enabled operation optimisation and intelligent equipment control for waste incineration and municipal sanitation operations, increase automation in the waste incineration process, intelligently adjust burning conditions so as to increase operational uptime, improve power generation efficiency and reduce pollution and carbon emission and achieve overall cost savings through optimised resource utilisation and predictive maintenance.

The Group will also generate income from the provision of research and development services, while establishing foundation for future business development, including commercialisation of new intelligent environmental solutions and expanding the Group's service offerings in smart waste management and incineration.

Based on the above, the Directors (including the independent non-executive Directors) consider that entering into Agreement 1 and Agreement 2 are in line with the Group's overall business strategy and technology development direction, and that the terms of Agreement 1 and Agreement 2 are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

As Ms. Hao Chunmei, the non-executive Director of the Company, holds a senior position in Capital Eco Group, she is therefore deemed to have material interest in Agreement 1 and Agreement 2 and the transactions contemplated thereunder. Thus,



Ms. Hao Chunmei has abstained from voting on the relevant resolutions at the Board meeting. Save as disclosed above, none of the other Directors has any material interest in Agreement 1 or Agreement 2 and the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Company is an exempted company with limited liability incorporated in the Cayman Islands and, together with its subsidiaries, principally engaged in investment, construction, operation and management of solid waste disposal projects, covering such areas of solid wastes as household waste, kitchen waste, various types of industrial hazardous waste, construction waste, electronic waste, and dismantling of end-of-life automobiles. The Group invests, builds, operates and manages waste treatment projects that cover the whole process from collection and transportation of waste to the very end of waste treatment, and is committed to becoming an integrated environmental operator that provides a package of environmental solutions for local governments.

### **Capital Technology First Branch Company**

Capital Technology First Branch Company is a company established in the PRC with limited liability and is an indirect wholly owned subsidiary of the Company. Capital Technology First Branch Company is principally engaged in the provision of technical service related to research, development, promotion, and application of solid waste treatment technologies.

### **Alibaba Cloud Company**

Alibaba Cloud Company is a company established in the PRC with limited liability. To the best of the knowledge, information and belief of the Board and having made all reasonable enquiry, as at the date of this announcement, Alibaba Cloud Company is a consolidated entity of Alibaba Group Holding Limited, a company whose ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 9988 (HKD Counter) and 89988 (RMB Counter)). Alibaba Cloud Company is a technology company principally engaged in the provision of cloud computing, big data, artificial intelligence and technical support for digital transformation. To the best of the knowledge, information and belief of the Board and having made all reasonable enquiry, Alibaba Cloud Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Nanjing Fuli Company**

Nanjing Fuli Company is a company established in the PRC with limited liability. To the best of the knowledge, information and belief of the Board and having made all reasonable enquiry, as at the date of this announcement, it is approximately 38% owned by Wu Xiaojuan (武曉娟), who is the single largest shareholder of Nanjing Fuli Company. Nanjing Fuli Company is principally engaged in the provision of full-lifecycle automation solutions, specialising in control systems, information technology, and artificial intelligence applications, primarily serving the environmental protection, marine/shipbuilding, and energy industries. To the best of the knowledge, information and belief of the Board and having made all reasonable enquiry, Nanjing Fuli Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **BUCEA**

BUCEA is a municipal university in Beijing that focuses on engineering disciplines and is principally engaged in the provision of higher-education services in the PRC.

## **Huizhou Guanghui Company**

Huizhou Guanghui Company is a company established in the PRC with limited liability and is an indirect non wholly owned subsidiary of the Company. Huizhou Guanghui Company is principally engaged in the provision of waste treatment and waste-to-energy generation services.

## **Xinxiang Capital Company**

Xinxiang Capital Company is a company established in the PRC with limited liability and is an indirect non wholly owned subsidiary of the Company. Xinxiang Capital Company is principally engaged in the provision of waste treatment and waste-to-energy generation services.

## **Collaborative Innovation Technology Company**

Collaborative Innovation Technology Company is a company established in the PRC with limited liability. It is 60% owned by Capital Eco Group and 40% owned by Beijing Capital Group, which is in turn wholly owned by Beijing Municipal State-owned Assets Supervision and Administration Commission (北京市人民政府國有資產監督管理委員會). Collaborative Innovation Technology Company is principally engaged in the provision of environmental and technology services, including technical consulting, development, transfer and promotion in areas such as

software, computer systems, information integration, engineering management, water and air pollution prevention, solid waste and light pollution control, ecological restoration and protection, municipal facilities management, and sales of eco-materials.

### **Capital Environmental Sanitation Company**

Capital Environmental Sanitation Company is a company established in the PRC with limited liability. It is 51% owned by Shenzhen Qianhai Company (a wholly owned subsidiary of the Company) and 49% owned by Capital Eco Group. Capital Environmental Sanitation Company is principally engaged in the provision of waste treatment services.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Capital Eco Group is deemed to have interest in approximately 45.11% of the issued Shares and is therefore a controlling shareholder and a connected person of the Company. Collaborative Innovation Technology Company is an associate of Capital Eco Group and therefore a connected person of the Company. Accordingly, the entering into of Agreement 1 and Agreement 2 constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. As Agreement 1 and Agreement 2 are both entered into with Capital Eco Group and/or associate of Capital Eco Group and such transactions are similar in nature, the transactions under Agreement 1 and Agreement 2 shall be aggregated.

Since one or more of the applicable percentage ratios of the transactions contemplated under Agreement 1 and Agreement 2 exceeds 0.1% but is less than 5%, the transactions contemplated under Agreement 1 and Agreement 2 are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“Agreement 1”	agreement dated 12 February 2026 entered into among Capital Eco Group, the Group Companies and Non-Group Companies in relation to a research and development project in relation to the development of an intelligent automation platform for waste storage bunker and garbage crane and an AI powered optimisation control platform for waste incineration process;
“Agreement 2”	agreement dated 12 February 2026 entered into among Capital Eco Group, Collaborative Innovation Technology Company and Capital Environmental Sanitation Company in relation to a research and development project in relation to the application verification of unmanned sweeping vehicles and the optimisation of operations using AI-driven strategies;
“AI”	artificial intelligence;
“Alibaba Cloud Company”	Alibaba Cloud Computing Co., Ltd.* (阿里雲計算有限公司), a company established in the PRC with limited liability;
“Beijing Capital Group”	Beijing Capital Group Co., Ltd.* (北京首都創業集團), a company established in the PRC with limited liability;
“Board”	the board of Directors;
“BUCEA”	Beijing University of Civil Engineering and Architecture (北京建築大學);
“Capital Eco Group”	Beijing Capital Eco-Environment Protection Group Co., Ltd.* (北京首創生態環保集團股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008.SH), and a controlling shareholder and a connected person of the Company as at the date of this announcement;

“Capital Environmental Sanitation Company”	Beijing Capital Environmental Sanitation Company Limited* (北京首創環衛有限公司), a company established in the PRC with limited liability and an indirect non wholly owned subsidiary of the Company;
“Capital Technology First Branch Company”	First Branch of Beijing Capital Environmental Technology Company Limited* (北京首創環境科技有限公司第一分公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company;
“Collaborative Innovation Technology Company”	Beijing Capital Collaborative Innovation Technology Co., Ltd.* (北京首創協同創新科技有限公司), a company established in the PRC with limited liability and a non wholly owned subsidiary of Capital Eco Group;
“Company”	Capital Environment Holdings Limited (首創環境控股有限公司), a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Stock Exchange (Stock Code: 03989);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Group Companies”	Capital Technology First Branch Company, Huizhou Guanghui Company and Xinxiang Capital Company, collectively;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Huizhou Guanghui Company”	Huizhou Guanghui Energy Company Limited* (惠州廣惠能源有限公司), a company established in the PRC with limited liability and an indirect non wholly owned subsidiary of the Company;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Nanjing Fuli Company”	Nanjing Fuli Automation Technology Co., Ltd.* (南京福爾利自動化技術有限公司), a company established in the PRC with limited liability;
“Non-Group Companies”	Alibaba Cloud Company, Nanjing Fuli Company and BUCEA;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Xinxiang Capital Company”	Xinxiang Capital Solid Environmental Energy Limited* (新鄉市首創環境能源有限公司), a company established in the PRC with limited liability and an indirect non wholly owned subsidiary of the Company; and
“%”	per cent.

\* *Denotes English translation of the Chinese name of a company or entity established in the PRC, or vice versa, and is provided for the sole purpose of identification.*

By order of the Board of  
**Capital Environment Holdings Limited**  
**Li Qingsong**  
*Chairman*

Hong Kong, 12 February 2026

*As of the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Qingsong and Mr. Guo Chaoyang; one non-executive Director, namely Ms. Hao Chunmei; and four independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Dr. Chan Yee Wah, Eva and Dr. Cao Fuguo.*