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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 55% EQUITY INTERESTS IN JIANGSU SUBEI WASTE VEHICLES AND HOUSEHOLD APPLIANCES DISMANTLING RECYCLING LIMITED*

THE DISPOSAL

The Board is pleased to announce that, the Bidding Period ended on 17 November 2022 and in accordance with the results of the Public Tender, on 21 November 2022 (after trading hours), the Vendors, wholly-owned subsidiaries of the Company, have entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendors have agreed to dispose of and the Purchaser has agreed to purchase the Target Equity at the Consideration of RMB133,000,000.

Upon Completion, the Company will cease to indirectly hold any equity interest in Jiangsu Subei, and Jiangsu Subei will cease to be a subsidiary of the Company.

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is or are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company and will therefore, be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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THE EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out below:

Date

21 November 2022

Parties

- (i) Vendor A, as one of the Vendors;
- (ii) Vendor B, as one of the Vendors; and
- (iii) the Purchaser, as the purchaser.

Asset to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Target Equity in accordance with the terms and conditions under the Equity Transfer Agreement at the Consideration.

Effective Date of the Equity Transfer Agreement

The Equity Transfer Agreement shall become effective from the date on which it is duly stamped by the Vendors and the Purchaser and signed by their respective legal representative or authorized person.

Consideration and Payment Terms

The appraised value of the entire shareholder's equity of Jiangsu Subei as at 30 June 2021 was RMB336,043,300, as set out in the Valuation Report prepared based on asset-based approach by the Valuer, an independent valuer.

Prior to the Public Tender, several public tenders were made for the disposal of the Target Equity on the Beijing Equity Exchange. The base price for the initial public tender, being RMB184,823,817, represents approximately 55% of the appraised value of Jiangsu Subei as set out in the Valuation Report. As intended qualified transferee(s) were not found in previous public tenders, and in light of the market response and condition, the base price for subsequent public tenders had been adjusted downwards accordingly. The base price of the Public Tender was RMB133,000,000, which was determined with references to the appraised value of Jiangsu Subei as set out in the Valuation Report and the market response and condition.

The Consideration, being RMB133,000,000, (i) was the highest bid price offered by a qualified bidder during the Bidding Period; (ii) equals to the base price for the Public Tender; and (iii) represents a discount of approximately 28% of the base price for the initial public tender, which represents approximately 55% of the appraised value of Jiangsu Subei as set out in the Valuation Report.

The Purchaser shall remit an amount equals to the Consideration less the Caution Money into the settlement account designated by Beijing Equity Exchange within five business days after the Equity Transfer Agreement becoming effective, and may apply the Caution Money as partial payment of the Consideration.

Completion

Within ten business days after proof for the transfer of equity in relation to the equity transaction under the Equity Transfer Agreement being issued by Beijing Equity Exchange, the Vendors shall procure Jiangsu Subei to complete the registration of the change of equity interests. The Purchaser shall provide the necessary assistance and cooperate with the Vendors in this regard.

The Vendors and the Purchaser shall negotiate and agree on date and venue for the Completion. The Vendors shall arrange handover with the Purchaser in accordance with the “Property and Information List” prepared by Jiangsu Subei. The Vendors shall be responsible for the completeness and truthfulness of the aforesaid materials provided by Jiangsu Subei and the consistency of such materials with the actual state of affairs of Jiangsu Subei, and shall bear all legal liabilities arising from any concealment or misrepresentation.

INFORMATION OF JIANGSU SUBEI

Jiangsu Subei is principally engaged in the recycling, disassembly and processing of waste electrical and electronic equipment and vehicles.

Jiangsu Subei is an indirect non-wholly owned subsidiary of the Company and is owned as to 45%, 10% and 45% by Vendor A, Vendor B and Zaishengjia, respectively, as at the date of this announcement.

Set out below are certain audited financial information of Jiangsu Subei prepared in accordance with PRC Accounting Standards for the two financial years ended 31 December 2020 and certain unaudited financial information of Jiangsu Subei for the financial year ended 31 December 2021 extracted from its unaudited management account, which have been prepared in accordance with PRC Accounting Standards:

	For the year ended 31 December 2019 RMB (audited)	For the year ended 31 December 2020 RMB (audited)	For the year ended 31 December 2021 RMB (unaudited)
Revenue	275,042,168.21	275,231,650.54	264,005,412.69
Net profit before tax	81,178,624.81	72,594,884.00	19,315,131.74
Net profit after tax	61,249,070.36	53,246,163.00	14,345,912.91

The audited net assets value of Jiangsu Subei as at 30 June 2021 as shown in its audited financial statements prepared in accordance with PRC Accounting Standards was approximately RMB276,337,522.40.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Directors are of the view that the Disposal (a) will reduce the potential business risk exposure of the Group; (b) is in line with the Group's strategy to gradually withdraw from the waste electrical and electronic equipment disassembly business; and (c) will improve the liquidity and financial position of the Group.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE VENDORS

Vendor A is a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company. Vendor A is an investment holding company.

Vendor B is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. Vendor B is principally engaged in the business of provision of technical services.

INFORMATION OF THE PURCHASER

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is a company established in the PRC with limited liability and is principally engaged in the leasing and sale of construction machinery and equipment, technology services, recycling and sales of renewable resources, etc.; and the Purchaser is, as at the date of this announcement, owned ultimately as to 100% by Gao Chang* (高昌).

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

INFORMATION OF THE ZAISHENGJIA

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zaishengjia is principally engaged in the businesses of technical services, technology development and technology consulting; and Zaishengjia is, as at the date of this announcement, owned ultimately as to approximately 97.8% and approximately 2.2% by Chen Yaowu* (陳耀武) and Zhang Yudao* (張玉道), respectively. Jiangsu Subei is owned as to 45% by Zaishengjia as at the date of this announcement. Prior to the Completion, Zaishengjia is a connected person at the subsidiary level (meaning as ascribed thereto under the Listing Rules) of the Company. Zaishengjia shall cease to be a connected person at the subsidiary level (meaning as ascribed thereto under the Listing Rules) of the Company upon Completion.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

The Group had the plan to dispose of Jiangsu Subei during the year ended 31 December 2021 and had classified its related assets and liabilities as assets held for sale and liabilities directly associated with assets held for sale. In accordance with Hong Kong Financial Reporting Standards 5, the net assets directly associated with Jiangsu Subei have been reduced to its fair value. As such, it is expected that the Group will record a loss of approximately RMB8,280,000 as a result of the Disposal.

Depending on the actual net book value of Jiangsu Subei attributable to the Group upon Completion, the actual financial effects of the Disposal may be different from the above estimation and is subject to final audit to be performed by the Company's auditors.

Upon Completion, the Company will cease to indirectly hold any equity interest in Jiangsu Subei, and Jiangsu Subei will cease to be a subsidiary of the Company. Accordingly, the Jiangsu Subei's financial results will cease to be consolidated into those of the Group.

The Group intends to use the net proceeds from the Disposal for general working capital purpose.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is or are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company and will therefore, be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Beijing Equity Exchange”	China Beijing Equity Exchange, an approved equity exchange
“Bidding Period”	the bidding period for the Public Tender
“Board”	the board of Directors
“Caution Money”	the caution money of RMB18.5 million paid by the Purchaser to the account designated by Beijing Equity Exchange, as the deposit for acquiring the Target Equity
“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)
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendors for the Target Equity, in the aggregate amount of RMB133,000,000, comprised of (a) RMB108,818,200 payable to Vendor A for 45% equity interest in Jiangsu Subei; and (b) RMB24,181,800 payable to Vendor B for 10% equity interest in Jiangsu Subei
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Target Equity by the Vendors pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 21 November 2022 entered into between Vendor A, Vendor B and the Purchaser in respect of the Disposal

“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jiangsu Subei”	Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Limited* (江蘇蘇北廢舊汽車家電拆解再生利用有限公司), a company established in the PRC with limited liability which is owned as to 45%, 10% and 45% by Vendor A, Vendor B and Zaishengjia, respectively, as at the date of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Public Tender”	the public tender in relation to Target Equity on the Beijing Equity Exchange, the announcement of which was made on 1 November 2022 on the website of Beijing Equity Exchange
“Purchaser”	Huaian Hengchang Construction Equipment Trading Co., Ltd.* (淮安恒昌建築設備貿易有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of HK\$0.10 each (or of such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity”	55% of the equity interest in Jiangsu Subei, of which 45% is to be transferred from Vendor A to the Purchaser and 10% is to be transferred from Vendor B to the Purchaser, pursuant to the Equity Transfer Agreement
“Valuation Report”	the valuation report dated 7 April 2022 prepared by the Valuer in relation to the entire equity interest in Jiangsu Subei
“Valuer”	China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司), a limited liability company established in the PRC

“Vendor A”	Capital Solid Resource Renewal Investment Limited (首拓資源再生投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Vendor B”	Beijing Capital Environment Investment Limited* (北京首創環境投資有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“Vendors”	Vendor A and Vendor B, collectively
“Zaishengjia”	Zaishengjia Environmental Technology Company Limited* (再生家環境科技有限公司), a company established in the PRC with limited liability
“%”	per cent

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

Hong Kong, 21 November 2022

As at the date of this announcement, 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.

** In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*