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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 TRANSACTIONS IN RELATION TO**

#### **(i) THE INFORMATION SYSTEM SUPPLY CONTRACT; AND**

#### **(ii) THE EQUIPMENT PROCUREMENT AND CONSTRUCTION CONTRACT**

##### **THE INFORMATION SYSTEM SUPPLY CONTRACT**

The Board is pleased to announce that, on 5 December 2022 (after trading hours), Xinxiang Capital, an indirect non-wholly owned subsidiary of the Company, has entered into the Information System Supply Contract with Beijing Capital Air, pursuant to which Beijing Capital Air shall supply to Xinxiang Capital an intelligent information system for its waste incineration and power generation plant.

##### **THE EQUIPMENT PROCUREMENT AND CONSTRUCTION CONTRACT**

The Board is pleased to announce that, on 5 December 2022 (after trading hours), Xinxiang Capital, an indirect non-wholly owned subsidiary of the Company (as the principal) has entered into the Equipment Procurement and Construction Contract with Beijing Capital Air (as the contractor), pursuant to which Beijing Capital Air agreed to undertake the construction and installation work of the Xinxiang Domestic Waste Incineration Project, including equipment procurement, supply of labour, construction materials, ensuring meeting of the construction schedule, reporting construction progress, piping and wiring, ensuring construction-related safety, inspection and clearance, and liaison with relevant parties.

##### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Capital Eco Group is deemed to have interest in approximately 45.11% of the issued Shares of the Company and is accordingly a substantial shareholder and a connected person of the Company.

As Beijing Capital Air is directly held as to approximately 99.9999% by Capital Eco Group, Beijing Capital Air is an associate of the substantial shareholder of the Company pursuant to Rule 14A.13(1) of the Listing Rules and accordingly a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Transactions exceeds 0.1% but all are below 5%, each of the Transactions is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

## **THE INFORMATION SYSTEM SUPPLY CONTRACT**

The Board is pleased to announce that, on 5 December 2022 (after trading hours), Xinxiang Capital, an indirect non-wholly owned subsidiary of the Company, has entered into the Information System Supply Contract with Beijing Capital Air, pursuant to which Beijing Capital Air shall supply to Xinxiang Capital an intelligent information system for its waste incineration and power generation plant.

The major terms of the Information System Supply Contract are set out below:

### **Date**

5 December 2022

### **Parties**

- (i) Xinxiang Capital; and
- (ii) Beijing Capital Air.

### **The supply of the intelligent information system**

According to the Information System Supply Contract, Beijing Capital Air shall supply to Xinxiang Capital an intelligent information system for its waste incineration and power generation plant, which shall include the design of the information system, procurement of hardware, inspection checking, installation, calibration and test run.

### **Contract price**

The contract price under the Information System Supply Contract is RMB7.956 million, which was the successful tender price offered by Beijing Capital Air in the public tender. The Company engaged Sinochem Commercial Co. Ltd.\* (中化商務有限公司) for the tender of the supply of the information system and received bids from Beijing Capital Air and two other independent third parties from the tender process.

The bids were assessed by the experts in the assessment committee of Sinochem Commercial Co. Ltd.\* (中化商務有限公司), after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder, and Beijing Capital Air was awarded as the winning bidder and entered into the Information System Supply Contract with Xinxiang Capital.

The contract price under the Information System Supply Contract is expected to be funded by the internal resources of Xinxiang Capital.

### **Payment terms**

The contract price under the Information System Supply Contract shall be paid in the following manner:

- (i) 30% shall be paid within 10 business days following the issue of development notice after Information System Supply Contract became effective;
- (ii) 60% shall be paid within 10 business days after completion of the installation of the system and hardware and their calibration and passing test run; and
- (iii) the remaining 10% as the quality assurance deposit shall be paid within 15 days following the date of signature of the final acceptance certificate by Xinxiang Capital and Beijing Capital Air, after the lapse of the defects liability period which shall expire on the date 36 months after the date of submission to and acceptance of the information system by Xinxiang Capital, provided that there is no claim or unresolved disputes over quality defects of the information system.

### **THE EQUIPMENT PROCUREMENT AND CONSTRUCTION CONTRACT**

The Board is pleased to announce that, on 5 December 2022 (after trading hours), Xinxiang Capital, an indirect non-wholly owned subsidiary of the Company (as the principal) have entered into the Equipment Procurement and Construction Contract with Beijing Capital Air (as the contractor), pursuant to which Beijing Capital Air agreed to undertake the construction and installation work of the Xinxiang Domestic Waste Incineration Project, including equipment procurement, supply of labour, construction materials, ensuring meeting of the construction schedule, reporting construction progress, piping and wiring, ensuring construction-related safety, inspection and clearance, and liaison with relevant parties.

The major terms of the Equipment Procurement and Construction Contract are set out below:

#### **Date**

5 December 2022

#### **Parties**

- (i) Xinxiang Capital, as the principal; and
- (ii) Beijing Capital Air, as the contractor.

## **Project scope**

According to the Equipment Procurement and Construction Contract, Beijing Capital Air agreed to undertake the construction and installation work of the Xinxiang Domestic Waste Incineration Project, including equipment procurement, supply of labour, construction materials, ensuring meeting of the construction schedule, reporting construction progress, piping and wiring, ensuring construction-related safety, inspection and clearance, and liaison with relevant parties.

## **Construction period**

The construction period is expected to last for about 35 Days and end on or after 31 December 2022.

## **Contract price**

The contract price under the Equipment Procurement and Construction Contract is RMB5.71 million, which was the successful tender price offered by Beijing Capital Air in the public tender. The Company engaged Sinochem Commerce Co., Ltd.\* (中化商務有限公司) for the tender of the Equipment Procurement and Construction Contract for the Xinxiang Domestic Waste Incineration Project and received bids from Beijing Capital Air and two other independent third parties from the tender process.

The bids were assessed by the experts in the assessment committee of Sinochem Commerce Co., Ltd.\* (中化商務有限公司), after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder, and Beijing Capital Air was awarded as the winning bidder and entered into the Equipment Procurement and Construction Contract with Xinxiang Capital.

The contract price under the Equipment Procurement and Construction Contract is expected to be funded by the internal resources of Xinxiang Capital.

## **Payment terms**

RMB3.55 million out of the contract price of RMB5.71 million under the Equipment Procurement and Construction Contract shall be paid in the following manner:

- (i) 30% shall be paid as prepayment within 15 days after the completion of the preparation work for the commencement of the Xinxiang Domestic Waste Incineration Project, including the personnel and machinery being in place, and the presentation of the relevant invoice(s) to Xinxiang Capital;
- (ii) up to 85% shall be paid within 15 days after the inspection and clearance by Xinxiang Capital and the supervisor after completion of the construction work of the Xinxiang Domestic Waste Incineration Project, and the presentation of the relevant invoice(s) to Xinxiang Capital;

- (iii) up to 97% shall be paid within 30 days after the completion acceptance of the Xinxiang Domestic Waste Incineration Project, completion of account settlement and completion of audit by the cost consulting unit (if any), and the presentation of the relevant invoice(s) to Xinxiang Capital; and
- (iv) the remaining 3% as the quality assurance deposit to be paid after the expiry of the first anniversary of the completion acceptance of the Xinxiang Domestic Waste Incineration Project.

RMB2.16 million out of the contract price of RMB5.71 million under the Equipment Procurement and Construction Contract shall be paid in the following manner:

- (i) 30% shall be paid as prepayment within 10 business days after the inspection and confirmation by Xinxiang Capital of the invoice(s) and relevant documents in relation to the equipment, which shall be provided by Beijing Capital Air to Xinxiang Capital within 10 business days after the execution of the Equipment Procurement and Construction Contract;
- (ii) 40% shall be paid within 10 business days after the inspection and clearance by Xinxiang Capital of the invoice(s) and pre-departure inspection confirmation, which shall be provided by Beijing Capital Air to Xinxiang Capital, after delivery of the last batch of deliverables to the agreed designation(s) at agreed time;
- (iii) 25% shall be paid within 10 business days after the inspection and confirmation by Xinxiang Capital of the invoice(s) and the preliminary acceptance certificate signed by the representatives of Xinxiang Capital and Beijing Capital Air, which shall be provided by Beijing Capital Air to Xinxiang Capital, after the passing of completion acceptance check and the stable operation of the equipment and its meeting of the agreed specifications are confirmed; and
- (iv) the remaining 5% as the quality assurance deposit shall be paid within 15 business days of the date of signature of the final acceptance certificate by the authorised representatives of Xinxiang Capital and Beijing Capital Air, after the defects liability period of one year, provided that there is no claim or unresolved disputes over quality defects.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE INFORMATION SYSTEM SUPPLY CONTRACT AND THE EQUIPMENT PROCUREMENT AND CONSTRUCTION CONTRACT**

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 Information System Supply Contract**

The Directors are of the view that upon completion of the Information System Supply Contract, the information system will (a) increase the operational efficiency of the waste incineration and power generation plant of Xinxiang Capital; (b) improve the reliability of the equipment; (c) realise the standardisation of production procedures; and (d) enhance safety and monitoring of the production process.

## **The Equipment Procurement and Construction Contract**

The Equipment Procurement and Construction Contract was entered into on the basis that Beijing Capital Air has experience in comparable construction and installation works and will be responsible for the delegated works under the Equipment Procurement and Construction Contract, including ensuring the meeting of construction schedule and required quality. The Group is of the view that the entering into of the Equipment Procurement and Construction Contract is necessary for the completion of the Xinxiang Domestic Waste Incineration Project.

The Xinxiang Domestic Waste Incineration Project, upon completion, will enable Xinxiang Capital to supply steam for industrial use to the neighbouring area. The Directors are of the view that the Xinxiang Domestic Waste Incineration Project will (a) improve the operational efficiency of Xinxiang Capital; (b) reduce Xinxiang Capital's reliance on government waste-to-energy subsidy funds; and (c) enable the launching of a new product line for the waste-to-energy business segment of the Group.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Information System Supply Contract and the Equipment Procurement and Construction Contract and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and is in the interests of the Company and its Shareholders as a whole.

As the executive Director, Mr. Li Fujing, is the legal representative and the chairman of the board of directors of Beijing Capital Air; and each of Mr. Cao Guoxian, Mr. Li Fujing and Mr. Li Qingsong, the executive Directors, and Ms. Hao Chunmei, the non-executive Director, also holds executive positions at Capital Eco Group, each of Mr. Cao Guoxian, Mr. Li Fujing, Mr. Li Qingsong and Ms. Hao Chunmei has abstained from voting on the Board resolutions of the Company approving the Information System Supply Contract, the Equipment Procurement and Construction Contract and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Information System Supply Contract, the Equipment Procurement and Construction Contract and the transactions contemplated thereunder and has abstained from voting on the Board resolutions of the Company approving the Information System Supply Contract, the Equipment Procurement and Construction Contract and the transactions contemplated thereunder.

## **INFORMATION OF XINXIANG CAPITAL**

Xinxiang Capital is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, Xinxiang Capital is held as to approximately 97.99% directly by Beijing Capital Environment Investment Limited\* (北京首創環境投資有限公司), which is an indirect-wholly owned subsidiary of the Company; and approximately 2.01% by Lv Fazhi (呂法制). Xinxiang Capital is principally engaged in the business of waste treatment and waste-to-energy generation.

## INFORMATION OF BEIJING CAPITAL AIR

Beijing Capital Air is a company established in the PRC with limited liability, the shares of which are listed on the NEEQ (Stock Code: 832496). Beijing Capital Air is, as at the date of this announcement, directly held as to approximately 99.9999% by Capital Eco Group and approximately 0.0001% by an individual, Cheng Xingjun (程興軍). Beijing Capital Air is principally engaged in the provision of technical consultation and system solution, etc; and provision of governance and resources utilization services in respect of water, solid waste and atmospheric through the smart environmental protection platform.

Capital Eco Group is a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008.SH).

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Capital Eco Group is deemed to have interest in approximately 45.11% of the issued Shares of the Company and is accordingly a substantial shareholder and a connected person of the Company.

As Beijing Capital Air is directly held as to approximately 99.9999% by Capital Eco Group, Beijing Capital Air is an associate of the substantial shareholder of the Company pursuant to Rule 14A.13(1) of the Listing Rules and accordingly a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Transactions exceeds 0.1% but all are below 5%, each of the Transactions is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Capital Air”	Beijing Capital Air Environmental Science & Technology Co., Ltd.* (北京首創大氣環境科技股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the NEEQ (Stock Code: 832496), which is, as at the date of this announcement, held as to approximately 99.9999% by Capital Eco Group and a connected person of the Company
“Board”	the board of Directors

“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 substantial shareholder and a connected person of the Company as at the date of this announcement
“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
“Director(s)”	the director(s) of the Company
“Equipment Procurement and Construction Contract”	the equipment procurement and construction contract dated 5 December 2022 entered into between Xinxiang Capital (as the principal) and Beijing Capital Air (as the contractor) with regard to the Xinxiang Domestic Waste Incineration Project
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Information System Supply Contract”	the contract dated 5 December 2022 entered into between Xinxiang Capital and Beijing Capital Air with regard to the supply of intelligent information system to the waste incineration and power generation plant of Xinxiang Capital
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	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
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transactions”	collectively, the transaction contemplated under the Information System Supply Contract and the transaction contemplated under the Equipment Procurement and Construction Contract
“Xinxiang Capital”	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
“Xinxiang Domestic Waste Incineration Project”	construction and installation work for the project of domestic waste incineration and gas and electricity supply in the city of Xinxiang, Henan province, the PRC
“%”	per cent

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

Hong Kong, 5 December 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.*