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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 IN RELATION TO THE GENERAL CONTRACTING AGREEMENT**

#### **THE GENERAL CONTRACTING AGREEMENT**

The Board is pleased to announce that, on 5 December 2022 (after trading hours), Duyun Capital, an indirect non-wholly owned subsidiary of the Company (as the principal) has entered into the General Contracting Agreement with Beijing Capital Air (as the contractor), pursuant to which Beijing Capital Air agreed to undertake as the general contractor for the design, procurement and construction work for the Duyun Overhaul Project. The contract price payable by Duyun Capital to Beijing Capital Air under the General Contracting Agreement is RMB25,795,023.13.

#### **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 General Contracting Agreement and the transactions contemplated thereunder constitute a connected transaction 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 the General Contracting Agreement and the transactions contemplated thereunder exceeds 0.1% but all are below 5%, the General Contracting Agreement 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.

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The major terms of the General Contracting Agreement are set out below:

### **Date**

5 December 2022

### **Parties**

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

### **Project scope**

According to the General Contracting Agreement, Beijing Capital Air agreed to undertake as the general contractor for the design, procurement and construction work for the Duyun Overhaul Project, which involves the reconstruction, renovation and upgrading of the boiler and steam turbine of the domestic waste treatment facilities of Duyun Capital and their post-completion testing.

### **Overhaul period**

The overhaul period is expected to end within 2 months after the entering into of the General Contracting Agreement.

### **Contract price**

The contract price payable by Duyun Capital to Beijing Capital Air under the General Contracting Agreement is RMB25,795,023.13.

The contract price under the General Contracting Agreement is RMB25,795,023.13, 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 General Contracting Agreement for the Duyun Overhaul 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 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, Beijing Capital Air was awarded as the winning bidder and entered into the General Contracting Agreement with Duyun Capital.

The contract price under the General Contracting Agreement is expected to be funded by the internal resources of Duyun Capital.

### **Payment terms**

The contract price under the General Contracting Agreement shall be paid in the following manner:

- (i) 30% shall be paid as prepayment within 10 business days after the inspection and confirmation by Duyun Capital of the invoice(s) and documents in relation to the production, which shall be provided by Beijing Capital Air to Duyun Capital within 10 business days after execution of the General Contracting Agreement and Duyun Capital issuing notice of production;
- (ii) 20% shall be paid prior to the delivery of equipment and within 10 business days after the inspection and confirmation by Duyun Capital of the invoice(s) and the pre-departure inspection confirmation signed by the representative of Duyun Capital, which shall be provided by Beijing Capital Air to Duyun Capital;
- (iii) 20% shall be paid within 10 business days after the inspection and confirmation by Duyun Capital of the invoice(s), and the delivery confirmations and installation completion confirmations of all goods signed by the representatives of Duyun Capital and Beijing Capital Air, which shall be provided by Beijing Capital Air to Duyun Capital after delivery of the last batch of deliverables to the agreed designation(s) at agreed time and the completion of their installation;
- (iv) 25% shall be paid within 10 business days after the inspection and confirmation of Duyun Capital of the invoice(s) and the preliminary acceptance confirmation signed by the representatives of Duyun Capital and Beijing Capital Air; and
- (v) the remaining 5% as the quality assurance deposit shall be paid within 15 days following the date of signature of the final acceptance certificate by the authorised representatives of Duyun 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 GENERAL CONTRACTING AGREEMENT**

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 General Contracting Agreement was entered into between Duyun Capital (as the principal) and Beijing Capital Air (as the contractor) with regard to the Duyun Overhaul Project, the project involves the reconstruction, renovation and upgrading of the boiler and steam turbine of the domestic waste treatment facilities of Duyun Capital and their post-completion testing.

The Directors are of the view that upon completion of the overhaul of the boiler and steam turbine of the domestic waste treatment facilities of Duyun Capital, (i) the operational safety and reliability of the domestic waste treatment facilities will be improved; (ii) the capacity of the domestic waste treatment facilities of Duyun Capital will be increased; and (iii) the electricity generation capacity of the domestic waste treatment facilities of Duyun Capital will thereby be increased.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the General Contracting Agreement 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 General Contracting Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the General Contracting Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolutions of the Company approving the General Contracting Agreement and the transactions contemplated thereunder.

## **INFORMATION OF DUYUN CAPITAL**

Duyun Capital is a company established in the PRC with limited liability, which is, as at the date of this announcement, held as to (i) approximately 62.09% directly by Beijing Capital Environment Investment Limited (北京首創環境投資有限公司), which is, as at the date of this announcement, an indirect wholly-owned subsidiary of the Company; and (ii) approximately 37.91% directly by Duyun State-owned Capital Operation Co., Ltd.\* (都勻市國有資本營運有限責任公司).

To the best knowledge, information and belief of the Directors, having made reasonable enquiries, Duyun State-owned Capital Operation Co., Ltd.\* (都勻市國有資本營運有限責任公司) is held directly as to (i) approximately 95.15% by Qiannan State-owned Capital Operation Co., Ltd.\* (黔南州國有資本營運有限責任公司), which is ultimately owned as to 100% by Qiannan Buyi and Miao Autonomous Prefecture State-owned Assets Supervision and Administration Commission\* (黔南布依族苗族自治州國有資產監督管理局); (ii) approximately 3.07% by CDB Development Fund Co., Ltd.\* (國開發基金有限公司), which is in turn directly held as to 100% by China Development Bank (國家開發銀行); and (iii) approximately 1.77% by China's Agriculture Development Key Construction Fund Co., Ltd.\* (中國農發重點建設基金有限公司), which is in turn directly held as to 100% by Agricultural Development Bank of China (中國農業發展銀行).

Duyun 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 General Contracting Agreement and the transactions contemplated thereunder constitute a connected transaction 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 the General Contracting Agreement and the transactions contemplated thereunder exceeds 0.1% but all are below 5%, the General Contracting Agreement 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
“Duyun Capital”	Duyun Capital Environment Company Limited (都勻市首創環保有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Duyun Overhaul Project”	the project involving the reconstruction, renovation and upgrading of the boiler and steam turbine of Duyun Capital and their post-completion testing
“General Contracting Agreement”	the general contracting agreement dated 5 December 2022 entered into between Duyun Capital (as the principal) and Beijing Capital Air (as the contractor) with regard to the Duyun Overhaul Project
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“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
“%”	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.*