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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 TRANSACTION PROVISION OF FINANCIAL ASSISTANCE TO A CONNECTED SUBSIDIARY

THE LOAN EXTENSION AGREEMENT

Background

On 27 June 2022, Capital Investment, a wholly-owned subsidiary of the Company, as lender, entered into a loan extension agreement with Capital Environmental Sanitation (which was, at the material time, a wholly-owned subsidiary of the Company), as borrower, pursuant to which Capital Investment agreed to extend the term of a loan then provided to Capital Environmental Sanitation amounted to RMB12,452,484.5 (the “**Previous Loan**”) to 26 June 2024. The interest rate of the said loan was 6.5% per annum. Since each of Capital Investment and Capital Environmental Sanitation was a wholly-owned subsidiary of the Company at the material time, the Previous Loan was an intra-group transaction and was not subject to the disclosure requirements under Chapters 14 and 14A of the Listing Rules.

On 11 March 2024, Shenzhen Qianhai entered into a capital increase agreement with Capital Eco Group and Capital Environmental Sanitation, pursuant to which Capital Eco Group subscribed for certain equity interest in Capital Environmental Sanitation which, upon completion of the same, the equity interest of Capital Environmental Sanitation would be owned as to 51% by Shenzhen Qianhai and 49% by Capital Eco Group, respectively. For details, please refer to the announcement of the Company dated 11 March 2024.

On 16 July 2024, Capital Investment entered into the Loan Extension Agreement with Capital Environmental Sanitation for the extension of the repayment date of the remaining balance of the Previous Loan, details of which are set out as follows:

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|----------------------|---|
| Date: | 16 July 2024 |
| Parties: | (i) Capital Investment, as lender; and (ii) Capital Environmental Sanitation, as borrower |
| Principal amount: | RMB7,000,000 |
| Term: | From 26 June 2024 to 25 June 2025 |
| Interest rate: | 6.5% per annum, which is determined after arm's length negotiation and taken into account the Group's overall management and financing costs in such regard |
| Payment: | Interest to be paid on quarterly basis, with the principal amount being repaid in full in one lump sum on the repayment date |
| Security: | No security is provided by Capital Environmental Sanitation |
| Purpose of the loan: | For financing Capital Environmental Sanitation's working capital in relation to the Renqiu Project (任丘項目), being a cleaning, collection and transportation and management project which the Group provides waste collection and transportation, and cleaning and sanitation services to the designated areas in Renqiu City (任丘市), Hebei Province |

FUNDING OF THE LOAN EXTENSION AGREEMENT

The Group has financed the Previous Loan and will continue to finance the Loan Extension Agreement with the Group's general working capital.

REASONS FOR AND BENEFITS OF THE LOAN EXTENSION AGREEMENT

As abovementioned, Capital Environmental Sanitation is a non-wholly owned subsidiary of the Company. The loan provided under the Loan Extension Agreement is for the purpose of enhancing the financial position and capability of operation and financing of Capital Environmental Sanitation, as well as to satisfy the expected working capital requirement for the continuous development of Capital Environmental Sanitation in the provision of environmental sanitation services for rural areas in the PRC. At the same time, it is expected that the Loan Extension Agreement would enable the Group to generate interest income and thus maximise the Group's return and generate stable revenue and cash flow stream on its available cash reserves without compromising the Group's risk exposure.

The Directors (including the independent non-executive Directors) are of the view that the Loan Extension Agreement and the transaction(s) contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Loan Extension Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

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 Investment is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the investment, construction and operational management of comprehensive waste treatment, resources regeneration and new energy development and utilisation.

Capital Environmental Sanitation is an indirect non-wholly owned subsidiary of the Group and is principally engaged in the provision of environmental sanitation services for China rural areas. As at the date of this announcement, Capital Environmental Sanitation is held as to 51% and 49% by Shenzhen Qianhai and Capital Eco Group, respectively. Set out below is certain audited financial information in relation to Capital Environmental Sanitation for the two years ended 31 December 2023:

| | For the financial year ended 31 December 2022 (RMB'000) | For the financial year ended 31 December 2023 (RMB'000) |
|--|--|--|
| Profit/(loss) before tax and extraordinary items | 184 | 11,577 |
| Profit/(loss) after tax and extraordinary items | (364) | 8,682 |

As at 31 December 2023, the audited total assets and net assets of Capital Environmental Sanitation were approximately RMB108,155,824 and RMB40,092,949, respectively.

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). Capital Eco Group and its subsidiaries are principally engaged in the investment and management of environmental infrastructure in the PRC with a focus on water projects, solid waste disposal and environment management. Capital Eco Group is a controlling shareholder of the Company.

Shenzhen Qianhai is a direct wholly-owned subsidiary of the Company and is principally engaged in the provision of professional environmental protection services in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Capital Environmental Sanitation was owned as to 51% by Shenzhen Qianhai and 49% by Capital Eco Group, respectively. Capital Eco Group is deemed to have interest in approximately 45.11% of the issued Shares and is a controlling shareholder and a connected person of the Company at the issuer level. Accordingly, Capital Environmental Sanitation is a connected subsidiary of the Company and the entering into of the Loan Extension Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the transaction contemplated under the Loan Extension Agreement exceed 0.1% but all are below 5%, such transaction does not constitute notifiable transaction of the Company under Chapter 14 of the Listing Rules but constitutes as connected transaction of the Company and 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.

As Mr. Li Fujing, the Chairman and an executive Director of the Company, is a director of Capital Eco Group, and Ms. Hao Chunmei, the non-executive Director of the Company, holds a senior position in Capital Eco Group, they are therefore deemed to have material interest in the Loan Extension Agreement and the transaction(s) contemplated thereunder. Thus, Mr. Li Fujing and Ms. Hao Chunmei have abstained from voting on the relevant resolutions at the Board meeting. Save as disclosed above, none of the other Directors of the Company have any material interest in the Loan Extension Agreement and the transaction(s) contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

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| “Articles” | the articles of association of the Company as may be amended from time to time; |
| “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 controlling shareholder and a connected person of the Company as at the date of this announcement; |

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|------------------------------------|--|
| “Capital Environmental Sanitation” | 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 Investment” | 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 an indirect wholly-owned subsidiary of the Company; |
| “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 in the Listing Rules; |
| “controlling shareholder” | has the meaning ascribed to it in the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Loan Extension Agreement” | the agreement in relation to the extension of an existing loan with principal amount of RMB7,000,000 entered into between Capital Investment and Capital Environmental Sanitation on 16 July 2024 |
| “PRC” | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan); |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Share(s)” | the share(s) of the Company; |
| “Shareholder(s)” | the holder(s) of the Shares; |
| “Shenzhen Qianhai” | Shenzhen Qianhai Capital Environmental Investment Company Limited* (深圳前海首創環境投資有限公司), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of the Company; |

“Stock Exchange” The Stock Exchange of Hong Kong Limited; 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 Fujing
Chairman

Hong Kong, 16 July 2024

As of the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Fujing and Mr. Li Qingsong; 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 and Dr. Cao Fuguo.