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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 IN RELATION TO THE EQUIPMENT PROCUREMENT AGREEMENT

THE EQUIPMENT PROCUREMENT AGREEMENT

The Board is pleased to announce that Xinjiang Tianfu Company, an indirect wholly-owned subsidiary of the Company, has won the bid for a public tender concerning the procurement for the monitoring room for inspection of water inlet and outlet of the Wastewater Treatment Plant Upgrading and Renovation Project. On 27 May 2025 (after trading hours), Xinjiang Tianfu Company (as the vendor) entered into the Equipment Procurement Agreement with Sichuan Qingshi Company (as the purchaser), pursuant to which Xinjiang Tianfu Company agreed to sell and Sichuan Qingshi Company agreed to purchase the Target Equipment at a consideration of RMB4,189,120.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Sichuan Qingshi Company was wholly owned by Capital Eco Group. 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. Accordingly, Sichuan Qingshi Company is an associate of Capital Eco Group and thus a connected subsidiary of the Company and the entering into of the Equipment Procurement 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 transaction contemplated under the Equipment Procurement Agreement exceed 0.1% but all are below 5%, the transaction contemplated thereunder 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 principal terms of the Equipment Procurement Agreement are set out below:

- Date : 27 May 2025
- Parties : (i) Xinjiang Tianfu Company, as the vendor; and
(ii) Sichuan Qingshi Company, as the purchaser.
- Transaction subject (“**Target Equipment**”) : Xinjiang Tianfu Company agreed to sell and Sichuan Qingshi Company agreed to purchase 16 sets of each of the following equipment:
- (i) chemical oxygen demand (COD) online monitor;
 - (ii) ammonia nitrogen (NH₃-N) online monitor;
 - (iii) total nitrogen (TN) online monitor;
 - (iv) total phosphorus online monitor;
 - (v) potential of hydrogen (pH) and temperature meter (two-in-one);
 - (vi) automatic water quality sampler;
 - (vii) data acquisition instrument;
 - (viii) wall-mounted air conditioner; and
 - (ix) uninterruptible power supply device.

- Consideration (the “**Consideration**”) : RMB4,189,120. The Consideration represents the successful bid price submitted by Xinjiang Tianfu Company through an open tender process.
- Payment terms : (i) 10% of the Consideration shall be paid in cash by Sichuan Qingshi Company upon execution of the Equipment Procurement Agreement;
- (ii) 60% of the Consideration shall be paid in cash by Sichuan Qingshi Company after delivery of all the Target Equipment according to the specifications stipulated in the Equipment Procurement Agreement and presentation of the inspection acceptance notice and the relevant invoice(s) to Sichuan Qingshi Company;
- (iii) 25% of the Consideration shall be paid in cash by Sichuan Qingshi Company upon presentation of satisfactory notices in relation to (a) integration testing; and (b) environment protection inspection of the Wastewater Treatment Plant Upgrading and Renovation Project and the relevant invoice(s) to Sichuan Qingshi Company; and
- (iv) 5% of the Consideration shall be paid in cash by Sichuan Qingshi Company upon presentation of quality assurance acceptance certificate at the expiry of the quality assurance period (which is 24 months from the date of completion acceptance of the Wastewater Treatment Plant Upgrading and Renovation Project).
- Delivery Date : The Target Equipment under the Equipment Procurement Agreement shall be delivered by Xinjiang Tianfu Company within 45 days from the date of the Equipment Procurement Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUIPMENT PROCUREMENT AGREEMENT

Pursuant to the terms of the Equipment Procurement Agreement, Xinjiang Tianfu Company will provide the Target Equipment to Sichuan Qingshi Company for the completion of the Wastewater Treatment Plant Upgrading and Renovation Project. Such project will enhance Sichuan Qingshi Company’s capacity of wastewater treatment in the neighboring area.

With Sichuan Qingshi Company constructing the upgraded wastewater treatment plant, the Directors anticipate a strong opportunity for the Group to potentially offer ongoing wastewater treatment services. Having considered the potential and stability of the business of the operation and management of Sichuan Qingshi Company, the Directors consider that the entering into of the Equipment Procurement Agreement will allow the Group to secure a reliable customer

and contribute operating income and cash flow to the Group, while also creating a pathway for the Group to collaborate on providing comprehensive wastewater treatment solutions, thereby facilitating the steady development of the waste treatment business of the Group.

The Consideration under the Equipment Procurement Agreement represents the successful bid price submitted by Xinjiang Tianfu Company through an open tender process. The management of the Group has determined the bid price having regard to the estimated costs for, among others, costs of acquiring the relevant equipment, labour, transportation, installation and after-sales services, and the reasonable profit margin on cost-plus basis. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equipment Procurement 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 are in the interests of the Company and its Shareholders as a whole.

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 Equipment Procurement 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 Equipment Procurement Agreement and the transaction(s) contemplated thereunder.

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.

Xinjiang Tianfu Company is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Xinjiang Tianfu Company principally engages in waste treatment and waste-to-energy generation.

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.

Sichuan Qingshi Company is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Capital Eco Group. Sichuan Qingshi Company principally engages in construction, engineering, landscaping, environmental projects, and wholesale and retail of goods.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Sichuan Qingshi Company was wholly owned by Capital Eco Group. 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. Accordingly, Sichuan Qingshi Company is an associate of Capital Eco Group and thus a connected subsidiary of the Company and the entering into of the Equipment Procurement 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 transaction contemplated under the Equipment Procurement Agreement exceed 0.1% but all are below 5%, the transaction contemplated thereunder 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:

“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;
“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;
“Equipment Procurement Agreement”	the agreement dated 27 May 2025 and entered into between Xinjiang Tianfu Company and Sichuan Qingshi Company for the procurement of the Target Equipment, details of which are set out in the section headed “The Equipment Procurement Agreement” of this announcement;
“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 in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sichuan Qingshi Company”	Sichuan Qingshi Construction Company Limited* (四川青石建設有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Capital Eco Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Xinjiang Tianfu Company”	Xinjiang Tianfu Waste Incineration Power Generation Company Limited* (新疆天富垃圾焚燒發電有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Wastewater Treatment Plant Upgrading and Renovation Project”	upgrading and renovation work managed and overseen by Sichuan Qingshi Company for the eighth division wastewater treatment plant located in Shihezi, Xinjiang, the PRC; 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, 27 May 2025

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.