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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 DISPOSAL OF SALE SHARES IN AND DEBT DUE FROM AN ASSOCIATE**

### **DISPOSAL**

On 22 January 2021, the Seller (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement on the Disposal, pursuant to which the Seller has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase the Sale Shares and the Debt at a consideration of RMB131,200,000.

Upon the Completion, the Company will cease to hold any equity interest in Shenzhen Guangye Environmental, which will cease to be an associate of the Company.

### **LISTING RULES IMPLICATIONS**

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

**The shareholders and potential investors of the Company should note that, the Completion is subject to uncertainties and risks. The shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares.**

## **DISPOSAL**

On 22 January 2021, the Seller and the Purchaser entered into the Agreement, the summary of which is as follows:

### **Date**

22 January 2021

### **Parties**

Seller: Beijing Capital Environment Investment Limited (北京首創環境投資有限公司)

Purchaser: Guangdong Guangye Investment Group Co., Ltd. (廣東廣業投資集團有限公司)

To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, both the Purchaser and its ultimate beneficial owner are independent third parties.

### **Subject Matter**

Pursuant to the terms and conditions of the Agreement, the Seller has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase the Sale Shares and the Debt.

### **Consideration and Payment Terms**

The total consideration of RMB131,200,000, including consideration for the Sale Shares of RMB92,878,800 and consideration for the Debt of RMB38,321,200, and the interest on the principal of the Debt in one lump sum shall be remitted to the settlement account designated by China Beijing Equity Exchange and the bank account designated by the Seller respectively within 5 working days following the entry into force of the Agreement. The interest period of the interest on the principal of the Debt is from 1 January 2020 to the actual repayment date, and the annual interest rate is 5.22%.

The consideration is determined by reference to the bid price offered by the Purchaser in the Public Tender, the appraised value of Shenzhen Guangye Environmental and other considerations (such as the business prospect of Shenzhen Guangye Environmental). The valuation was conducted by the PRC Valuer in accordance with laws and regulations on the transfer of state-owned assets and under the income approach.

### **Condition**

The Completion is subject to the following preconditions being fulfilled by the relevant parties to the Agreement:

- (i) The Seller has the legal, effective and complete rights in the Disposal;

- (ii) All the certification documents and materials submitted by the Purchaser and the Seller to the other party and China Beijing Equity Exchange are true, accurate and complete; and
- (iii) All approval procedures including authorization, approval and internal decision-making required by both parties to sign the Agreement have been legally and effectively obtained.

Any of the above conditions cannot be waived by the parties to the Agreement. There is no guarantee or restriction related to the Disposal that may affect the transfer of property rights.

## **COMPLETION**

As at the date of this announcement, all the above conditions have been fulfilled.

In accordance with the Agreement, the Purchaser and the Seller shall perform or assist in performing the obligations to report to the Approval Authorities, and make their best efforts to provide cooperation in handling any reasonable request and inquiry from the Approval Authorities, so as to obtain the approval from the Approval Authorities for the contract and the equity exchange thereunder. Within 10 working days after the equity exchange certificate issued by China Beijing Equity Exchange is obtained for the equity exchange under the Agreement, the Seller shall urge Shenzhen Guangye Environmental to go through the registration procedures for shareholding change, in respect of which the Purchaser shall provide necessary assistance and cooperation.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a state-owned enterprise managed by Guangdong Guangye Group Co., Ltd. under State-owned Assets Supervision and Administration Commission of Guangdong Province. The Purchaser and its subsidiaries are mainly engaged in the investment and equity participation in industry, agriculture, transportation and urban construction sectors in China, self-owned property leasing, import trading of commodities and technologies, domestic trade (not allowed to operate if prohibited by laws and regulations, and the goods with the state's exclusive control shall be operated with valid approval documents), natural gas sales (excluding storage, transportation, and gas supply to end users), wholesale of hazardous chemical products (the licensed items without storage facilities shall be operated in accordance with the attached page of the valid Hazardous Chemicals Operation License). As at the date of this announcement and prior to the Completion, the Purchaser holds 54% equity interest in Shenzhen Guangye Environmental.

## INFORMATION ON SHENZHEN GUANGYE ENVIRONMENTAL

Shenzhen Guangye Environmental, a limited liability company incorporated in China, is owned as to 46% and 54% by the Seller and the Purchaser respectively, as at the date of this announcement. Shenzhen Guangye Environmental is mainly engaged in the incineration of combustible domestic waste and industrial waste for power generation, sales of electricity, sales of scrap metal from incineration, and comprehensive use of slag.

## FINANCIAL INFORMATION ON SHENZHEN GUANGYE ENVIRONMENTAL

The following table sets forth the audited financial information of Shenzhen Guangye Environmental prepared in accordance with China Accounting Standards for Business Enterprises:

	<b>Period ended</b> <b>31 May 2020</b> <i>(RMB'000)</i>	Year ended 31 December 2019 <i>(RMB'000)</i>
Revenue	<b>1,917</b>	66,604
Profit/(loss) before tax	<b>(8,372)</b>	10,044
Profit/(loss) after tax	<b>(8,342)</b>	7,545

According to the audited financial information of Shenzhen Guangye Environmental prepared in accordance with the China Accounting Standards for Business Enterprises, its profit after tax for the year ended 31 December 2019 is approximately RMB7,545,000, and its loss after tax for the period ended 31 May 2020 was RMB8,342,000. Its loss is recorded for the period ended 31 May 2020 mainly because Shenzhen Guangye Environmental suspended the production for an upgrade and reconstruction project.

According to the audited financial statement of Shenzhen Guangye Environmental prepared in accordance with the China Accounting Standards for Business Enterprises, its net asset value as at 31 May 2020 is approximately RMB122,045,000, of which the Sale Shares amount to approximately RMB56,141,000. The appraised value of Shenzhen Guangye Environmental as at 31 May 2020 is approximately RMB201,000,000, of which the Sale Shares amount to approximately RMB94,460,000.

## FINANCIAL EFFECT ON THE GROUP AND USE OF PROCEEDS

Upon the Completion, the Company will cease to hold any equity interest in Shenzhen Guangye Environmental, which will cease to be an associate of the Company.

The Group expects that the Disposal will result in a gain, namely the difference between (i) the consideration for the Sale Shares among the Disposal of RMB92,878,800; and (ii) at the date of this announcement, the investment of the Seller in Shenzhen Guangye Environmental in the amount of approximately RMB88,209,900, plus any expense in

relation to the Disposal. The Directors expect that the Group will record a gain of approximately RMB4,369,000 on the Disposal. After deducting relate costs and expenses, the estimated net proceeds from the Disposal are RMB 130,900,000, which will be used as general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

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 consideration of RMB131,200,000 for the Disposal will enable the Group to realize its capital investment in the Sale Shares and the Debt. In addition, as at the date of this announcement, the waste processing plant of Shenzhen Guangye Environmental is suspended for implementing the upgrade and reconstruction project whose completion requires further investment. Upon the Disposal, the Group will no longer need to invest in the upgrade and reconstruction project, and the Company will be able to reallocate more financial resources and management efforts to other potential investment projects that can bring greater returns to the Group.

The Board believes that the performance of Shenzhen Guangye Environmental has not met the expectation of the Group. Years of operation of Shenzhen Guangye Environmental and the increasingly higher pollutant emission standards in recent years have led to a year-by-year increase in the operational pressure on Shenzhen Guangye Environmental, resulting in a decline in its profits. The poor operating cash flow leads to Shenzhen Guangye Environmental having never paid cash dividends, and large funds having been tied up for a long time. Meanwhile, the Board believes that the Disposal will enable the Group to realize the Sale Shares and allocate the proceeds from the Disposal to other investment opportunities, and improve its financial position.

Based on the above, the Directors believe that the terms of the Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

No Directors have any material interest in the Disposal, and therefore no Directors are required to abstain from voting on the Board resolutions in respect of the Disposal.

**The shareholders and potential investors of the Company should note that, the Completion is subject to uncertainties and risks. The shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares.**

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“Agreement”	the asset and equity exchange contract dated 22 January 2021, by and between the Seller and the Purchaser in relation to the Disposal
“Approval Authorities”	the Ministry of Commerce of the People’s Republic of China, China Securities Regulatory Commission and other local authorities or authorized agencies having the power of approval in accordance with relevant laws and regulations
“Board”	the board of Directors of the Company
“China Beijing Equity Exchange”	China Beijing Equity Exchange Co., Ltd., the place and body through which the equity exchange is undertaken
“Company”	Capital Environment Holdings Limited, a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Debt”	the debt of RMB38.3212 million due from Shenzhen Guangye Environmental to the Seller, and the interest thereon, with the interest period from 1 January 2020 to the actual repayment date, and the annual interest rate of 5.22%
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Debt by the Seller in accordance with the Agreement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Valuer”	ZhongHe Appraisal Co., Ltd. (中和資產評估有限公司), a Chinese qualified independent professional valuer

“Public Tender”	The Seller has gone through a publication period of 20 business days in China Beijing Equity Exchange in relation to the transfer of the Sale Shares in accordance with laws and regulations of China on the transfer of state-owned assets
“Purchaser”	Guangdong Guangye Investment Group Co., Ltd. (廣東廣業投資集團有限公司), a limited liability company incorporated in China and a shareholder of Shenzhen Guangye Environmental holding a 54% equity interest in Shenzhen Guangye Environmental
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	46% equity interest in Shenzhen Guangye Environmental
“Seller”	Beijing Capital Environment Investment Limited (北京首創環境投資有限公司), a limited liability company incorporated in China, a shareholder of Shenzhen Guangye Environmental holding a 46% equity interest in Shenzhen Guangye Environmental, and as at the date of this announcement, an indirect wholly-owned subsidiary of the Company
“Shenzhen Guangye Environmental”	Shenzhen Guangye Environmental Recycling Energy Limited (深圳廣業環保再生能源有限公司), a limited liability company incorporated in China and an associate of the Company, which is owned as to 54% and 46% by the Seller and the Purchaser respectively, as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 22 January 2021

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Cao Guoxian, Mr. Li Fujing, Ms. Hao Chunmei and Mr. Xiao Yukun; and three independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.*