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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)

FURTHER ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION COOPERATION FRAMEWORK AGREEMENT AND CONNECTED TRANSACTION CAPITAL INCREASE AGREEMENT

Reference is made to the announcement of Capital Environment Holdings Limited (the “**Company**”) dated 11 March 2024 (the “**Announcement**”) in relation to the continuing connected transaction for the Cooperation Framework Agreement and connected transaction for the Capital Increase Agreement. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this announcement when used herein.

As disclosed in the Announcement, as the valuation of assets of Capital Environmental Sanitation is based on discounted cash flow method of income approach, it constitutes a profit forecast under Rule 14.61 of the Listing Rules and hence the requirements of Rule 14.60A of the Listing Rules apply.

PROFIT FORECAST – CONFIRMATIONS

Infinity CPA Limited (“**Infinity**”), being the reporting accountant of the Company in relation to the Capital Increase, has reviewed and reported to the Directors in respect of the compilation of the discounted future cash flows in connection with the valuation of the Independent Valuer, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the profit forecast has been properly compiled in all material respects in accordance with the assumptions adopted by the Board as set out in the valuation report of the Independent Valuer (the “**Valuation Report**”).

The Directors confirm that the fair value of Capital Environmental Sanitation as at 31 March 2023 in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry. A report from Infinity in compliance with Rule

14.60A(2) of the Listing Rules is included in Appendix I to this announcement and a letter from the Board in compliance with Rule 14.60A(3) of the Listing Rules is included in Appendix II to this announcement.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification	Date of conclusion or advice
Infinity	Certified Public Accountants	28 March 2024
中聯資產評估集團有限公司 (Zhonglian Asset Valuation Group Company Limited*)	Independent Valuer	31 January 2024

Each of the Independent Valuer and Infinity has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its report/letter and all references to its name (including its qualifications) in the form and context of this announcement in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Independent Valuer and Infinity is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Independent Valuer nor Infinity has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, neither the Independent Valuer nor Infinity had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2023 (the date to which the latest published annual results of the Group were made up).

By order of the Board of
Capital Environment Holdings Limited
Li Fujing
Chairman

Hong Kong, 28 March 2024

As at 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, Eva and Dr. Cao Fuguo.

* For identification purposes only.

APPENDIX I – REPORT FROM INFINITY

The following is the text of a report received from the Company’s reporting accountants, Infinity, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

Independent assurance report on the calculations of discounted future estimated cash flows in connection with the valuation of the total shareholders’ equity of Beijing Capital Environmental Sanitation Company Limited* (北京首創環衛有限公司)

To the Directors of Capital Environment Holdings Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Zhonglian Asset Valuation Group Company Limited* (中聯資產評估集團有限公司) dated 31 January 2024 in respect of the total shareholders’ equity of Beijing Capital Environmental Sanitation Company Limited* (北京首創環衛有限公司) (“**Capital Environmental Sanitation**”) as at 31 March 2023 (the “**Valuation**”) are based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has been included in the announcements dated 11 March 2024 and 28 March 2024 by Capital Environment Holdings Limited (the “**Company**”) in connection with the continuing connected transaction for the Cooperation Framework Agreement and connected transaction for the Capital Increase Agreement (as defined in the announcements) (the “**Announcements**”).

DIRECTORS’ RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcements (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Capital Environment Holdings Limited.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows of Capital Environmental Sanitation, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Infinity CPA Limited
Certified Public Accountants
Hong Kong

28 March 2024

* *For identification purposes only.*

APPENDIX II – LETTER FROM THE BOARD

The following is the text of a letter from the Board prepared for inclusion in this announcement.

28 March 2024

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sir or Madam,

CONNECTED TRANSACTION – CAPITAL INCREASE AGREEMENT

We refer to the announcement of Capital Environmental Holdings Limited (the “**Company**”) dated 11 March 2024 in relation to the captioned transactions. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We refer to the Valuation Report dated 31 January 2024 prepared by 中聯資產評估集團有限公司 (Zhonglian Asset Valuation Group Company Limited*), the Independent Valuer, in relation to the valuation of the total shareholders’ equity in Beijing Capital Environmental Sanitation Company Limited* (北京首創環衛有限公司). Such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Board has reviewed the valuation basis and assumptions set out in the Valuation Report, for which the Independent Valuer is responsible. The Board has also considered the letter issued by Infinity dated 28 March 2024 regarding whether the profit forecasts, so far as the calculations are concerned, have been properly complied with the bases and assumptions set out in the Valuation Report.

On the basis of the foregoing, pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, the Board confirms that the valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
By order of the Board of
Capital Environment Holdings Limited
Li Fujing
Chairman

* *For identification purposes only.*