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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 UNDERWRITING AGREEMENT IN RESPECT OF THE PROPOSED ISSUANCE OF CORPORATE BONDS

UNDERWRITING AGREEMENT IN RESPECT OF THE PROPOSED ISSUANCE OF CORPORATE BONDS

On 21 May 2020, the Company and Capital Securities entered into the Underwriting Agreement, pursuant to which, Capital Securities shall provide underwriting services for the issuance of Corporate Bonds by the Company. The Company shall pay Capital Securities and the underwriting syndicate organized by it, the underwriting commission based on 0.3% of the proceeds from the issuance of Corporate Bonds (in the case of issuance by tranches of Corporate Bonds, the proceeds from each tranche), for the services. The underwriting commission is RMB6,000,000 based on the maximum proceeds of RMB2 billion.

LISTING RULES IMPLICATIONS

Capital Securities is a non-wholly owned subsidiary of Beijing Capital Group, and Beijing Capital Group is the controlling shareholder of the Company which indirectly holds 66.92% of the equity of the Company. Capital Securities is the connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company.

As the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Underwriting Agreement exceed 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Underwriting Agreement is conditional upon the satisfaction of various conditions precedent set out therein and accordingly, the completion of the Underwriting Agreement and the proposed issuance may or may not proceed. Shareholders of the Company and potential investors are reminded to exercise caution in dealing in the securities of the Company.

UNDERWRITING AGREEMENT

On 21 May 2020, the Company and the Lead Underwriters entered into an underwriting agreement, pursuant to which, Capital Securities shall provide underwriting services for the issuance of Corporate Bonds by the Company. The summary of the Underwriting Agreement is set out below:

Date	:	21 May 2020
Issuer	:	The Company
Main lead underwriter	:	Capital Securities
Joint lead underwriter	:	First Capital Investment Banking Co., Ltd. (第一創業證券承銷保薦有限責任公司)
Issuance of Corporate Bonds	:	The Company intends to apply for the public issuance of Corporate Bonds of up to RMB2 billion in aggregate, at par, in one or more tranches in China with a term of up to 5 years and the face value of RMB100, and to have the bonds listed in the Shanghai Stock Exchange
Standby commitment underwriting	:	The risks of the issuance of Corporate Bonds shall be borne by Capital Securities. In other words, after the payment due date set out in the issuance announcement, Capital Securities shall purchase the bonds which are not disposed of, in proportion to respective commitment specified in the Underwriting Agreement and the underwriting syndicate agreement, and transfer and make payments corresponding to respective commitments in full and on time

- Conditions Precedent : The Company shall comply with applicable laws for the issuance of Corporate Bonds, take all necessary actions, sign and provide all required documents to Capital Securities in a timely manner, and obtain the necessary approvals and consents, including but not limited to:
- (1) All approvals of the Board, the meeting of shareholders (general meeting) or similar governing bodies of the Company required for the issuance of Corporate Bonds by the Company have been obtained;
 - (2) Before the underwriting period, all approvals, consents, waivers, letters of undertakings, letters of support, letters of confirmation, powers of attorney and other documents (other than the approval of securities regulatory authorities for the issuance of Corporate Bonds (if necessary)) that the Company shall obtain in accordance with relevant laws and regulations, and other actions that the Company shall take and approvals and consents that the Company shall obtain, have been properly taken, or obtained for the Company; and the Company has provided the Lead Underwriters with evidence which is required for taking the actions or obtaining the documents and satisfactory to the Lead Underwriters, in a timely manner before taking the actions or obtaining the documents;
 - (3) The lawyers engaged by the Company have issued legal opinions complying with laws, for the issuance of Corporate Bonds, and the legal opinions remain legal and valid as at the date of transfer of the payment;
 - (4) The accountants engaged by the Company have issued unqualified audit reports and other required professional reports that comply with laws and industry standards, for the issuance of Corporate Bonds. The above audit reports and other professional reports remain legal and valid as at the date of transfer of the payment;

- (5) The credit rating agency engaged by the Company has issued credit rating reports for the Company and Corporate Bonds, and the credit ratings assigned by the credit rating agency to the Company and Corporate Bonds remain legal and valid as at the date of transfer of the payment, and there are no significant adverse changes in the credit ratings;
- (6) For the Corporate Bonds, the Company or a third party has provided credit enhancement measures disclosed in the prospectus, and guarantee letters and asset mortgage or pledge agreements in relation to the credit enhancement of Corporate Bonds remain legal and valid as of the date of transfer of the payment, and relevant procedures in relation to asset mortgage or pledge including legal registration are completed before the underwriting period;
- (7) In accordance with requirements of regulatory authorities, the Company has formulated the rules of procedure for the meeting of bond holders, with the bond trustee, and signed a bond custody agreement with the bond trustee. The aforesaid rules and agreement remain legal and valid on the date of transfer of the payment;
- (8) The internal audit committee for investment banking at the Lead Underwriters has respectively reviewed relevant matters and documents for the issuance of Corporate Bonds and agreed to recommend the issuance of Corporate Bonds of the Company to CSRC;
- (9) The Company has obtained the approval of CSRC in relation to the issuance of Corporate Bonds, and the approval remains legal and valid without being cancelled, as at the date of transfer of the payment;

- (10) The prospectus to be disclosed by the Company is consistent with the document finally approved by the CSRC. The necessary adjustments made to the offer documents such as the prospectus due to changes in business and financial information have been approved by the CSRC or the Shanghai Stock Exchange, and the disclosed offer documents such as the prospectus are still true, accurate and complete, and are free from any false or misleading statement and major omission as at the date of transfer of the payment;
- (11) The Company and the Lead Underwriters have reached agreement and confirmed in writing on the pre-set interest rate range and finalized coupon rate for the issuance of Corporate Bonds before the underwriting period;
- (12) From the base date of the financial statements stated in the disclosed prospectus to the date of transfer of the payment, there are no significant adverse changes in the Company's business operations and financial status and relevant matters or arrangements related to the basic elements of Corporate Bonds that may cause the Lead Underwriters to believe that the corporate bond issuance cannot be implemented;
- (13) The statements, guarantees and commitments made by the Company in the Underwriting Agreement are true, accurate and complete, and are free from any false or misleading statement and major omission as at the date of transfer of the payment. Otherwise, the obligations that the Company should perform before the date of transfer of the payment have been properly performed by the Company in accordance with relevant laws, regulations and the Agreement;
- (14) The intermediary commitments necessary for the prospectus have been made by relevant intermediaries;

(15) The application documents on the corporate bond issuance submitted by the Lead Underwriters to the Shanghai Stock Exchange have been approved, and the Company has signed a service agreement with the registered company on matters related to the registration, custody and redemption of Corporate Bonds;

(16) There is no other situation that may cause the Lead Underwriters to believe that the corporate bond issuance cannot be implemented.

Underwriting commission : The underwriting commission based on 0.3% of the proceeds from the issuance of Corporate Bonds (in the case of issuance by tranches of Corporate Bonds, the proceeds from each tranche), which shall be paid to Capital Securities and the underwriting syndicate organized by it. The underwriting commission is RMB6,000,000 based on the maximum proceeds of RMB2 billion

Payment method : The underwriting commission for the issuance of Corporate Bonds shall be paid by the Company to Capital Securities, which will pay the underwriting commission to the joint lead underwriter and other underwriting syndicate members in accordance with the arrangement under the underwriting syndicate agreement

There were no transactions between the Company and Capital Securities for the issuance of Corporate Bonds.

REASONS FOR AND BENEFITS OF UNDERWRITING SERVICES

Given that the Group is currently in a stage of rapid development and demand for large amount of capital, the issuance of Corporate Bonds would alleviate the Group's project financing demand. The terms of the Underwriting Agreement are determined based on arm's length negotiations between the Company and Capital Securities. Having considered the prevailing market condition, the Board is of the view that the terms of the Underwriting Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY AND CAPITAL SECURITIES

The Company 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.

Capital Securities, a limited liability company incorporated in China, is a non-wholly owned subsidiary of Beijing Capital Group. Its scope of business includes securities brokerage, securities investment consulting, financial consulting in relation to securities trading and securities investment activities, securities underwriting and sponsoring, proprietary trading of securities, sales of securities investment funds, securities asset management, margin financing and securities lending, agency service for sales of financial products and other financial services.

LISTING RULES IMPLICATIONS

Capital Securities is a non-wholly owned subsidiary of Beijing Capital Group, and Beijing Capital Group is the controlling shareholder of the Company which indirectly holds 66.92% of the equity of the Company. Capital Securities is the connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company.

As the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Underwriting Agreement exceed 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Underwriting Agreement is conditional upon the satisfaction of various conditions precedent set out therein and accordingly, the completion of the Underwriting Agreement and the proposed issuance may or may not proceed. Shareholders of the Company and potential investors are reminded to exercise caution in dealing in the securities of the Company.

DEFINITIONS

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

“Beijing Capital Group”	Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), a state-owned enterprise owned by the People’s Government of Beijing Municipality and under the supervision of the State Owned Assets Supervision and Administration Commission of the Beijing Municipality, which indirectly holds approximately 66.92% of the equity of the Company
“Board”	the board of Directors of the Company
“Capital Securities”	Capital Securities Co., Ltd. (首創證券有限責任公司), a limited liability company incorporated in China and a non-wholly owned subsidiary of Beijing Capital Group
“Company”	Capital Environment Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“connected transaction”	has the meaning ascribed thereto in the Listing Rules
“Corporate Bonds”	Corporate bonds of up to RMB2 billion in aggregate that the Company intends to apply for publicly issuing, at par, in one or more tranches in China with a term of up to 5 years and the face value of RMB100, and to have the bonds listed in the Shanghai Stock Exchange
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Lead Underwriters”	Capital Securities Co., Ltd. and First Capital Investment Banking Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriting Agreement”	the underwriting agreement entered into by and between the Company, Capital Securities Co., Ltd. and First Capital Investment Banking Co., Ltd. on 21 May 2020, pursuant to which, Capital Securities Co., Ltd., as the main lead underwriter, shall provide underwriting services for the issuance of Corporate Bonds by the Company
“%”	per cent.

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

Hong Kong, 25 May 2020

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.