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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
ENTRUSTED OPERATIONS MANAGEMENT CONTRACT

THE TRANSACTIONS

The Board is pleased to announce that Xinjiang Tianfu, an indirect wholly-owned subsidiary of the Company, has won the bid for a public tender of Wujiaqu Shoure concerning the Fangcaohu Thermal Power Operation Project. On 26 November 2026 (after trading hours), Xinjiang Tianfu and Wujiaqu Shoure entered into the Entrusted Operations Management Contract, pursuant to which Xinjiang Tianfu will provide Wujiaqu Shoure with entrusted operations management services for the Fangcaohu Thermal Power Operation Project. The aggregate entrusted operation service fee under the Entrusted Operations Management Contract shall be RMB29,900,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wujiaqu Shoure is a wholly-owned subsidiary of Capital Heat, which is owned as to 35% by Capital Eco Group. Capital Eco Group is deemed to be interested in approximately 45.11% of the issued Shares of the Company and is therefore a controlling shareholder and a connected person of the Company. Accordingly, Wujiaqu Shoure is an associate of Capital Eco Group and thus a connected person of the Company, and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the Transactions exceed 0.1% but are below 5%, the Transactions are 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.

INTRODUCTION

The Board is pleased to announce that Xinjiang Tianfu, an indirect wholly-owned subsidiary of the Company, has won the bid for a public tender of Wujiaqu Shoure concerning the Fangcaohu Thermal Power Operation Project. On 26 November 2026 (after trading hours), Xinjiang Tianfu and Wujiaqu Shoure entered into the Entrusted Operations Management Contract, pursuant to which Xinjiang Tianfu will provide Wujiaqu Shoure with entrusted operations management services for the Fangcaohu Thermal Power Operation Project. The aggregate entrusted operation service fee under the Entrusted Operations Management Contract shall be RMB29,900,000.

ENTRUSTED OPERATIONS MANAGEMENT CONTRACT

The principal terms of the Entrusted Operations Management Contract are set out below:

Date : 26 November 2026

Parties : (i) Wujiaqu Shoure, as the entrusting party; and

(ii) Xinjiang Tianfu, as the entrusted party.

Scope : Xinjiang Tianfu shall be responsible for completing the production management work of the Project in accordance with the management requirements of Wujiaqu Shoure, including the operations management, equipment management and procurement management of the Project, and the management of production-supporting facilities located within the boundary of the Project, of which:

(i) Operations management: including the operations management of the Project's fuel receiving system, boiler system, flue gas purification system, steam turbine generator sets and their auxiliary systems, electrical system, thermal instrumentation and automation system, utility system, and slag collection and conveying system, and the overall coordination of the operational personnel and production materials required for the operations management of the Project; and

(ii) Equipment management: including equipment maintenance, servicing and technical upgrades, organising the formulation and implementation of plans for maintenance, servicing and technical upgrades, and the overall coordination of the technical and maintenance personnel and the maintenance, servicing and technical upgrade materials required for the equipment management of the Project.

Service period : Six months.

Consideration : The aggregate entrusted operation service fee under the Entrusted Operations Management Contract shall be RMB29,900,000.

Payment terms : The service fee shall be settled and paid monthly based on the results of the performance assessment.

PRICING BASIS

The consideration under the Entrusted Operations Management Contract represents the successful bid price submitted by Xinjiang Tianfu during the course of the public tender. Wujiaqu Shoure issued the tender announcement on 23 October 2026. In determining the bid price for the Transactions, the management of the Group had conducted cost accounting in relation to the entrusted operations management of the Project, including maintenance costs, fuel costs, chemical costs, labour costs, management fees and others. The entrusted operation service fee is sufficient to cover the costs and achieve a reasonable profit, with an expected net profit margin of approximately 10.50%.

The management of the Group is of the view that the prices of the Transactions are fair and reasonable, mainly because (i) the Transactions were entered into on a market-oriented pricing basis through public tender, and the successful bid price is in line with industry practices and market standards; (ii) the entrusted operation service fee for the Transactions is determined based on the actual costs to be incurred by Xinjiang Tianfu to perform its entrusted operation obligations (covering personnel, servicing and maintenance, spare parts and management), with reference to the fee levels and reasonable profit margins of the entrusted operation services for similar biomass thermal power projects. The entrusted operation service fee is linked to performance indicators such as operational stability and production safety, ensuring a clear pricing basis and controllable cost risks; (iii) the existing waste incineration for power generation projects of Xinjiang Tianfu and the Fangcaohu Thermal Power Operation Project share technical homology in production operations and equipment maintenance. Xinjiang Tianfu can leverage the technical management team, maintenance resources and supplier procurement system of its existing projects, thereby creating a marginal cost advantage.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Transactions hold strategic value for regional market footprint and serve as a pivotal entry point for the Group to extend its existing business in Shihezi City into the market of the 6th Division of Xinjiang Production and Construction Corps (XPCC). It will facilitate deeper communication and collaboration with the local government, establish a professional brand image in operation and maintenance, and lay a foundation for future expansion of environmental protection businesses such as biomass energy and solid waste disposal in Wujiaqu and the broader XPCC region. In the course of operating its existing waste incineration for power generation and other projects in Shihezi City, Xinjiang Tianfu has accumulated experience in production operation and maintenance, equipment repair, safety management, material procurement and local personnel management for environmental energy projects. The Fangcaohu Thermal Power Operation Project allows the Group to leverage its existing management experience, technical resources and supply chain resources, thereby creating a marginal cost advantage. The Transactions will enable the Group to develop a comprehensive service model and operational standards for the entrusted operations management of biomass thermal power projects, accumulate replicable capabilities of providing external operation and maintenance services, and build a track record that will support future undertaking of similar entrusted operation projects elsewhere in Xinjiang and across the XPCC.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Transactions are in line with the Group's overall business strategy, and that the terms of the Entrusted Operations Management Contract are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

Mr. Wei Xianda, who is a non-executive Director of the Company, is deemed to have a material interest in the Transactions and has thus abstained from voting on the relevant resolutions at the Board meeting at which the Transactions were considered and approved. Save as disclosed above, none of the other Directors has any material interest in the Transactions, nor is any other Director required to abstain from voting on the relevant resolutions.

INFORMATION ON THE PARTIES

The Group

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, and site ecological restoration. The Group invests, builds, operates and manages waste treatment projects that cover the whole process from cleaning, collection and transportation of waste to the very end of waste treatment and resource recovery, and is committed to becoming an integrated environmental operator that provides a package of environmental solutions for local governments.

Xinjiang Tianfu

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

Capital Eco Group

Capital Eco Group is a joint stock 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.

Wujiaqu Shoure and Capital Heat

Wujiaqu Shoure is a company established in the PRC with limited liability and a wholly-owned subsidiary of Capital Heat. It is primarily engaged in the construction and operation of biomass power plants, combined heat and power generation, the production and supply of biomass gas, as well as the investment, construction, operation and maintenance of power supply and heating projects. Capital Heat is a joint stock company established in the PRC with limited liability, principally engaged in heating services, contract energy management, research and development of heating technology, and equipment sales. As at the date of this announcement, Capital Heat is owned as to (i) 35% by Capital Eco Group; (ii) 30% by Hony (Shenzhen) Investment Centre (Limited Partnership) (弘創(深圳)投資中心(有限合夥)); (iii) 15% by Shanxi Dingsheng Yangguang Real Estate Center (Limited Partnership)* (山西鼎盛陽光置業中心(有限合夥)); (iv) 15% by Shenzhen Hongshou Investment Consulting Center (Limited Partnership) (深圳弘首投資諮詢中心(有限合夥)); and (v) 5% by Shenzhen Kaiyuan Xinyang Investment Consulting Center (Limited Partnership) (深圳開元新陽投資諮詢中心(有限合夥)). As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Capital Eco Group is the single largest shareholder of Capital Heat.

LISTING RULES IMPLICATIONS

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wujiaqu Shoure is a wholly-owned subsidiary of Capital Heat, which is owned as to 35% by Capital Eco Group. Capital Eco Group is deemed to be interested in approximately 45.11% of the issued Shares of the Company and is therefore a controlling shareholder and a connected person of the Company. Accordingly, Wujiaqu Shoure is an associate of Capital Eco Group and thus a connected person of the Company, and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the Transactions exceed 0.1% but are below 5%, the Transactions are 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:

"Entrusted Operations Management Contract"	the entrusted operations management contract dated 26 November 2026 entered into between Xinjiang Tianfu and Wujiaqu Shoure in relation to the provision of entrusted operations management services for the Fangcaohu Thermal Power Operation Project by Xinjiang Tianfu to Wujiaqu Shoure;
"Transactions"	the Entrusted Operations Management Contract and the transactions thereunder;
"Fangcaohu Thermal Power Operation Project" or "Project"	the entrusted operations management project under the Fangcaohu combined heat and power generation project of Wujiaqu Shoure Hongtai Biomass Thermal Power Co., Ltd.* (五家渠首熱鴻泰生物質熱電有限公司);
"Board"	the board of Directors of the Company;

"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 joint stock 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;
"Xinjiang Tianfu"	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;
"Wujiaqu Shoure"	Wujiaqu Shoure Hongtai Biomass Thermal Power Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Capital Heat;
"Capital Heat"	Beijing Capital Heat Power Co Ltd.* (北京首創熱力股份有限公司), a joint stock company established in the PRC with limited liability, which is owned as to 35% by Capital Eco Group;
"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;
"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;

"associate"	has the meaning ascribed to it under the Listing Rules;
"PRC"	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;
"RMB"	Renminbi, the lawful currency of the PRC;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	per cent.

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

Hong Kong, 26 November 2026

As of the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Qingsong, Mr. Guo Chaoyang and Ms. Yu Hong; one non-executive Director, namely Mr. Wei Xianda; and four independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Dr. Chan Yee Wah and Dr. Cao Fuguo.

* *for identification purpose only*